

In the opinion of Orrick, Herrington & Sutcliffe, Los Angeles, California and Williams & Gilmore, La Jolla, California ("Co-Bond Counsel"), based upon an analysis of applicable laws, regulations, rulings and court decisions and assuming (among other things) compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal tax purposes and is exempt from State of California personal income taxes. In the opinion of Co-Bond Counsel, interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Co-Bond Counsel express no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See "LEGAL MATTERS — Tax Exemption" herein.

\$64,260,000

**SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT NO. 1
General Obligation Bonds
Refunding Series 1994**

Dated: May 15, 1994

Due: January 1, as shown below

The proceeds of the San Diego Open Space Park Facilities District No. 1 General Obligation Bonds Refunding Series 1994 (the "Refunding Bonds") will be used to refund all or a portion of certain series of outstanding Open Space Park Bonds (the "Prior Bonds") previously issued by the San Diego Open Space Park Facilities District No. 1 (the "District") and to pay costs of issuance associated with the foregoing. See "THE PLAN OF REFUNDING" herein.

The Refunding Bonds, as well as the unrefunded portions of the Prior Bonds, constitute general obligations of the District (the boundaries of which are coterminous with the City). The District has the power and is obligated to cause the City to levy ad valorem taxes on all secured property in the District, subject to taxation, without limitation as to rate or amount (except in the case of certain personal property, which is taxable at limited rates) for the payment of principal and interest on the Refunding Bonds as well as the unrefunded portions of the Prior Bonds. The Refunding Bonds and any such unrefunded Prior Bonds are not an obligation of the State of California, the City of San Diego or any political subdivision of the State other than the District.

The Refunding Bonds, as well as the unrefunded portions of the Prior Bonds, and any bonds which may refund the Refunding Bonds and such Prior Bonds are also secured *pari passu* by a pledge by the City of a portion of its Environmental Growth Fund (as defined herein). See "THE REFUNDING BONDS — Source of Payment for the Refunding Bonds" and "THE ENVIRONMENTAL GROWTH FUND" herein.

Interest due with respect to the Refunding Bonds is payable semiannually on January 1 and July 1 of each year, commencing July 1, 1994. See "THE REFUNDING BONDS — General Provisions" herein. The Refunding Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Refunding Bonds as described herein under "THE REFUNDING BONDS — Book-Entry System."

The Refunding Bonds are subject to optional redemption as described herein. See "THE REFUNDING BONDS — Redemption Provisions" herein.

MATURITY SCHEDULE

<u>Year (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Year (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1997	\$3,735,000	5.00%	4.65%	2004	\$5,090,000	5.50%	5.55%
1998	3,100,000	5.00	4.85	2005	5,505,000	5.60	5.65
1999	3,370,000	5.00	100	2006	5,950,000	5%	5.75
2000	4,525,000	5½	5.15	2007	6,430,000	5.75	5.85
2001	4,010,000	5.20	5.25	2008	6,490,000	5.75	5.95
2002	4,345,000	5.30	5.35	2009	7,010,000	6.00	6.05
2003	4,700,000	5.40	5.45				

(plus accrued interest, if any)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Refunding Bonds were awarded to the Underwriter on May 10, 1994 pursuant to the terms of a competitive bid at a true interest cost of 5.708926%. The Refunding Bonds will be offered when, as and if executed, subject to the approval as to legality by Orrick, Herrington & Sutcliffe, Los Angeles, California and Williams & Gilmore, La Jolla, California, Co-Bond Counsel. Certain legal matters for the District and the City will be passed upon by the City Attorney. It is anticipated that the Refunding Bonds in book-entry form will be available for delivery through DTC in New York, New York, on or about May 25, 1994.

May 10, 1994

No dealer, broker, salesperson or other person has been authorized by the District or the City of San Diego (the "City") to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Refunding Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Refunding Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries or references to the Procedural Ordinance, the Master Resolution, the Refunding Bonds Resolution, the City Ordinance and other documents, agreements and statutes referred to herein, and the description of the Refunding Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Refunding Bonds Resolution shall have the meanings set forth therein.

The information set forth herein has been obtained from official sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the City. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the City since the date hereof. This Official Statement is submitted in connection with the sale of the Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE REFUNDING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE REFUNDING BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CITY OF SAN DIEGO

CITY COUNCIL

Susan Golding
Mayor

George Stevens
Deputy Mayor

Christine Kehoe
Member

Harry Mathis
Member

Judy McCarty
Member

Ron Roberts
Member

Valerie Stallings
Member

Barbara Warden
Member

Juan Vargas
Member

CITY OFFICIALS

Jack McGrory
City Manager

John W. Witt
City Attorney

Ed Ryan
City Auditor and Comptroller

Conny M. Jamison
City Treasurer

Patricia T. Frazier
Financial Management Director

Charles Abdelnour
City Clerk

PROFESSIONAL SERVICES

CO-FINANCIAL ADVISORS

Public Resources Advisory Group
New York, New York

E. J. De La Rosa & Co., Inc.
Los Angeles, California

Municipal Capital Management, Inc.
Santa Monica, California

CO-BOND COUNSEL

Orrick, Herrington & Sutcliffe
Los Angeles, California

Williams & Gilmore
La Jolla, California

PAYING AGENT/ESCROW AGENT

Bank of America
National Trust & Savings Association
Los Angeles, California

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OFFICIAL STATEMENT

\$64,260,000
SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT NO. 1
General Obligation Bonds
Refunding Series 1994

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish certain information in connection with the sale, issuance and delivery by the San Diego Open Space Park Facilities District No. 1 (the "District") of \$64,260,000 aggregate principal amount of San Diego Open Space Park Facilities District No. 1 General Obligation Bonds Refunding Series 1994 (the "Refunding Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Refunding Bonds to potential investors is made only by means of the entire Official Statement.

The net proceeds from the sale of the Refunding Bonds are expected to be used to refund all or a portion of the following series of bonds: (i) the Open Space Park Bonds of 1978, Series 79A (the "1979 Bonds"), (ii) the Open Space Park Bonds of 1978, Series 86A (the "1986A Bonds") and (iii) the Open Space Park Refunding Bonds of 1986 (the "1986 Bonds" and, together with the 1979 Bonds and the 1986A Bonds, the "Prior Bonds"), and to pay certain costs of issuance associated with the foregoing. See **"THE PLAN OF REFUNDING"** herein.

The Refunding Bonds are being issued by the District pursuant to Chapter VI, Article 1, Division 20 of the San Diego Municipal Code, as amended (the "Procedural Ordinance"), Resolution No. 222446, adopted by the Council of the City of San Diego (the "City"), as the governing body of the District, on December 18, 1978 (the "Master Resolution"), and Resolution No. R-283434 adopted by the governing body of the District on February 22, 1994 (the "Refunding Bonds Resolution"). The Master Resolution authorized the issuance by the District of not to exceed \$65,000,000 aggregate principal amount of District bonds, in one or more series, to provide funds for the acquisition of open space and other park facilities. The Refunding Bonds Resolution authorizes the issuance of the Refunding Bonds, the proceeds of which will be used to refund all or a portion of the Prior Bonds. Bank of America National Trust & Savings Association has been appointed paying agent and registrar of the Refunding Bonds pursuant to the Refunding Bonds Resolution (the "Paying Agent").

The Refunding Bonds as well as the unrefunded portions of the Prior Bonds constitute general obligations of the District (the boundaries of which are coterminous with the City). The District has the power and is obligated to cause the City to levy ad valorem taxes on all secured property in the District, subject to taxation, without limitation as to rate or amount (except in the case of certain personal property, which is taxable at limited rates) for the payment of principal and interest on the Refunding Bonds, as well as the unrefunded portions of the Prior Bonds. The Refunding Bonds and any such unrefunded Prior Bonds are not an obligation of the State of California, the City or any political subdivision of the State other than the District.

The Refunding Bonds as well as the unrefunded portions of the Prior Bonds and any bonds which may refund the Refunding Bonds and such Prior Bonds (the "Bonds") are also secured *pari passu* by a pledge by the City of a portion of its Environmental Growth Fund (as defined herein). See **"THE REFUNDING BONDS — Source of Payment for the Refunding Bonds"** and **"THE ENVIRONMENTAL GROWTH FUND"** herein.

Brief descriptions of the Refunding Bonds, the Plan of Refunding, the Environmental Growth Fund and the District are provided below. A brief description of the City is provided in **"APPENDIX A — GENERAL ECONOMIC AND FINANCIAL INFORMATION ON THE CITY OF SAN DIEGO."** Summaries of the Refunding Bonds Resolution and the City Ordinance are provided in **"APPENDIX B — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."** Such descriptions do not purport to be comprehensive or definitive. All references to the Procedural Ordinance, the Master Resolution, the Refunding Bonds Resolution, the City Ordinance and other documents referenced herein are qualified in their entirety by reference to the actual forms thereof, copies of which may be obtained upon request and payment therefor from the Financial Management Director of the City. Certain capitalized terms used herein (unless otherwise defined herein) are defined in **"APPENDIX B — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."** Capitalized terms not defined herein shall have the meanings set forth in the respective documents.

THE REFUNDING BONDS

General Provisions

The Refunding Bonds will be executed and delivered in the aggregate principal amount of \$64,260,000, will be dated May 15, 1994, will be payable as to interest from May 15, 1994 at the rates per annum set forth on the cover page hereof, semiannually on each January 1 and July 1 (each a "Payment Date"), commencing July 1, 1994, and will mature on January 1 in each of the designated years and in the principal amounts shown on the cover page hereof. The Refunding Bonds will be issued in denominations of \$5,000 or any integral multiples thereof.

Source of Payment for the Refunding Bonds

The Refunding Bonds as well as the unrefunded portions of the Prior Bonds constitute general obligations of the District (the boundaries of which are coterminous with the City). The District has the power and is obligated to cause the City to levy ad valorem taxes on all secured property in the District, subject to taxation, without limitation as to rate or amount (except in the case of certain personal property, which is taxable at limited rates) for the payment of principal and interest on the Refunding Bonds, as well as the unrefunded portions of the Prior Bonds. The Refunding Bonds and any such unrefunded Prior Bonds are not an obligation of the State of California, the City or any political subdivision of the State other than the District.

The Refunding Bonds as well as the unrefunded portions of the Prior Bonds and any bonds which may refund the Refunding Bonds and such Prior Bonds (the "Bonds") are also secured *pari passu* by a pledge by the City of a portion of its Environmental Growth Fund (as defined herein). See **"THE ENVIRONMENTAL GROWTH FUND"** herein. In this regard, the City has pledged in Section 6 of the City Ordinance, for the purpose of paying the principal of and interest on the Bonds, to pay into a fund established pursuant to the Master Resolution designated the Bond Fund and maintained by the City Treasurer (the "Bond Fund"), on or before July 15 of each year, commencing July 15, 1994, an amount equal to the lesser of two-thirds of the moneys paid into the Environmental Growth Fund or such amount from said fund as is necessary to pay debt service on the Bonds coming due on

January 1 and July 1 of the next calendar year until the final maturity of all outstanding Bonds or earlier redemption thereof; provided, however, if there are insufficient funds on deposit in the Bond Fund on July 15 of each year to make the next two debt service payments on any outstanding Bonds due on January 1 and July 1 of the next calendar year, the City shall levy, on the next tax roll, a property tax on behalf of the District to cover the amount of the shortfall; provided further, however, that with respect to the debt service payment due with respect to the Refunding Bonds on July 1, 1994, the City is required under the City Ordinance, on the date of issuance and delivery of the Refunding Bonds, to deposit in the Bond Fund an amount sufficient to make said debt service payment.

For the purpose of paying the principal of and interest on outstanding Bonds in the event the moneys pledged by the City pursuant to the City Ordinance as described above are insufficient therefor, the governing body of the District shall instruct the City, at the time of making the general tax levy for each fiscal year until all outstanding Bonds are paid or until there is a sum set apart for that purpose sufficient to meet all payments of principal of and interest on outstanding Bonds as they become due, to levy and collect a tax sufficient, together with any available amounts on deposit in the Bond Fund and amounts on deposit in said fund resulting from payments made by the City as described above, to pay the interest on outstanding Bonds and such part of the principal as will become due before the proceeds of a tax levied at the next general tax levy will be available. Such taxes shall be levied and collected as other District taxes and shall be in addition to all other taxes and shall be used only for payment of the principal of outstanding Bonds and interest thereon. All taxes levied and collected to pay the principal of or interest on outstanding Bonds shall be forthwith paid into the Bond Fund. With respect to the Refunding Bonds, on or before the Business Day preceding each day on which the principal of or interest on the Refunding Bonds is due to be paid, the City Treasurer shall cause to be transferred from the Bond Fund to the Paying Agent moneys in an amount sufficient to make the next succeeding payments of principal and interest. There shall likewise be deposited in the Bond Fund upon delivery of the Refunding Bonds to the purchaser thereof, any moneys received on account of any premium paid on any of the Refunding Bonds and interest accrued on the Refunding Bonds from their date to the date of delivery and actual payment of the purchase price thereof for application solely to the payment of the principal of and interest on the Refunding Bonds.

So long as any Bonds are Outstanding, moneys in the Bond Fund (except as provided in the Resolution and Tax Certificate regarding the payment of rebate to the United States) shall be used solely for the purpose of paying the principal of and interest on the outstanding Bonds as such principal and interest shall become due and payable; provided, however, that when all of the principal of and interest on the outstanding Bonds have been paid, any balance of money then remaining in the Bond Fund shall be transferred to the Environmental Growth Fund.

Redemption

Optional Redemption. The Refunding Bonds maturing on or before January 1, 2004, are not subject to optional redemption prior to maturity. The Refunding Bonds maturing on or after January 1, 2005, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date and by lot within any such maturity if less than all of the Refunding Bonds of such maturity are to be redeemed, on or after January 1, 2004, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, plus a premium (expressed as a percentage of the principal amount so redeemed) as follows:

<u>Redemption Date (inclusive)</u>	<u>Redemption Price</u>
January 1, 2004 through December 31, 2004	101%
January 1, 2005 and thereafter	100

Notice of Redemption. The Refunding Bonds Resolution provides that notice of redemption is to be given by the Paying Agent by registered or certified mail, postage prepaid, at least 30 days but not more than 60 days before the date fixed for redemption to the respective Owners of Refunding Bonds designated for redemption at their addresses appearing on the registration books of the Paying Agent as of the close of business on the day before such notice of redemption is given. As long as a book-entry method is used for the Refunding Bonds, such notice shall be sent by the Paying Agent to the securities depository, initially DTC or its nominee. Beneficial owners of interests in the Refunding Bonds are to receive notification of such redemption as described under the heading "**THE REFUNDING BONDS — Book-Entry System.**" Additionally, the Refunding Bonds Resolution provides that notice of redemption is to be given to certain securities depositories and information services at least 35 days before the date set for redemption.

Each notice of redemption shall specify: (a) the Refunding Bonds or designated portions thereof (in the case of redemption of the Refunding Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) the CUSIP numbers assigned to the Refunding Bonds to be redeemed, (f) the numbers of the Refunding Bonds to be redeemed in whole or in part and, in the case of any Refunding Bonds to be redeemed in part only, the amount of such Refunding Bonds to be redeemed, and (g) the interest rate and stated maturity date of each Refunding Bond to be redeemed in whole or in part. Such notice of redemption shall further state that on the specified date there shall become due and payable upon each Refunding Bond or portion thereof being redeemed, the redemption price, together with interest accrued to the redemption date thereon, and that from and after such date interest thereon shall cease to accrue and be payable.

The actual receipt by the Refunding Bond owner of any notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such Refunding Bonds or the cessation of interest on the date fixed for redemption.

Prior to the time the District determines to call and redeem any of the Refunding Bonds, the Refunding Bonds Resolution requires that there be established in the City Treasury for and on behalf of the District a special fund designated as the "San Diego Open Space Park Facilities District No. 1 General Obligation Bond Refunding Series 1994 Redemption Fund," which fund shall be kept separate and apart from all other funds in the City Treasury (the "Redemption Fund"), and prior to or on the redemption date there must be set aside in the Redemption Fund moneys available for the purpose and sufficient to redeem principal amounts thereof and at the premiums, if any, payable as in the Resolution provided, the Refunding Bonds designated in said notice of redemption. Said moneys must be set aside in the Redemption Fund solely for that purpose and shall be applied on or after the redemption date to payment (principal and premium, if any) for the Refunding Bonds to be redeemed upon presentation and surrender of such Refunding Bonds, and shall be used only for that purpose. If, after all of the Refunding Bonds have been redeemed and canceled or paid and canceled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the fund from which the moneys were advanced as required by Section 4.09 of the Master Resolution; provided, however, that if said moneys are part of the proceeds of refunding bonds, said moneys shall be transferred to the fund created for the payment of principal of and interest on such refunding bonds.

When notice of redemption has been given, as described above, and when the amount necessary for the redemption of the Refunding Bonds called for redemption (principal and premium, if any) is set aside for such purpose in the Redemption Fund, the Refunding Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Refunding Bonds at the place specified in the notice of redemption, such Refunding Bonds shall be redeemed and paid at said redemption price out of the Redemption Fund, and no interest will accrue on such Refunding Bonds called for redemption after the redemption date specified in such notice, and the owners of said Refunding Bonds so called for redemption after

such redemption date shall look for the payment of such Refunding Bonds and the premium, if any, thereon only to the Redemption Fund.

Estimated Sources and Uses of Proceeds

The proceeds to be received from the sale of the Refunding Bonds, excluding accrued interest, are expected to be applied as follows:

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT NO. 1	
General Obligation Bonds	
Refunding Series 1994	
Estimated Sources and Uses of Proceeds	
Sources	
Par Amount of the Refunding Bonds	\$64,260,000.00
Less: Original Issue Discount	<u>(316,132.85)</u>
TOTAL	\$63,943,867.15
Uses	
1979 Redemption Account Deposit	\$14,125,610.28
Redemption Fund Deposit	49,395,000.42
Costs of Issuance	153,364.46
Underwriter's Discount	<u>269,892.00</u>
TOTAL	\$63,943,867.15

District Debt Service

The following table presents a schedule of annual debt service requirements for the Refunding Bonds and unrefunded portions of the Prior Bonds.

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT NO. 1 DEBT SERVICE PAYMENT SCHEDULE

Date	Refunding Series 1994			Unrefunded Debt Service on Prior Bonds		Total Debt Service	Fiscal Year Debt Service
	Principal	Interest	Total	Series 79A	Series 1986 Refunding		
07/01/94		449,928.40	449,928.40	40,000.00	161,075.00	651,003.40	
01/01/95		1,760,589.38	1,760,589.38	540,000.00	1,511,075.00	3,811,664.38	4,462,667.78
07/01/95		1,760,589.38	1,760,589.38	20,000.00	116,525.00	1,897,114.38	
01/01/96		1,760,589.38	1,760,589.38	520,000.00	1,666,525.00	3,947,114.38	5,844,228.76
07/01/96		1,760,589.38	1,760,589.38	0.00	63,825.00	1,824,414.38	
01/01/97	3,735,000.00	1,760,589.38	5,495,589.38	0.00	1,913,825.00	7,409,414.38	9,233,828.76
07/01/97		1,667,214.38	1,667,214.38	0.00	0.00	1,667,214.38	
01/01/98	3,100,000.00	1,667,214.38	4,767,214.38	0.00	0.00	4,767,214.38	6,434,428.76
07/01/98		1,589,714.38	1,589,714.38	0.00	0.00	1,589,714.38	
01/01/99	3,370,000.00	1,589,714.38	4,959,714.38	0.00	0.00	4,959,714.38	6,549,428.76
07/01/99		1,505,464.38	1,505,464.38	0.00	0.00	1,505,464.38	
01/01/2000	4,525,000.00	1,505,464.38	6,030,464.38	0.00	0.00	6,030,464.38	7,535,928.76
07/01/2000		1,389,511.25	1,389,511.25	0.00	0.00	1,389,511.25	
01/01/2001	4,010,000.00	1,389,511.25	5,399,511.25	0.00	0.00	5,399,511.25	6,789,022.50
07/01/2001		1,285,251.25	1,285,251.25	0.00	0.00	1,285,251.25	
01/01/2002	4,345,000.00	1,285,251.25	5,630,251.25	0.00	0.00	5,630,251.25	6,915,502.50
07/01/2002		1,170,108.75	1,170,108.75	0.00	0.00	1,170,108.75	
01/01/2003	4,700,000.00	1,170,108.75	5,870,108.75	0.00	0.00	5,870,108.75	7,040,217.50
07/01/2003		1,043,208.75	1,043,208.75	0.00	0.00	1,043,208.75	
01/01/2004	5,090,000.00	1,043,208.75	6,133,208.75	0.00	0.00	6,133,208.75	7,176,417.50
07/01/2004		903,233.75	903,233.75	0.00	0.00	903,233.75	
01/01/2005	5,505,000.00	903,233.75	6,408,233.75	0.00	0.00	6,408,233.75	7,311,467.50
07/01/2005		749,093.75	749,093.75	0.00	0.00	749,093.75	
01/01/2006	5,950,000.00	749,093.75	6,699,093.75	0.00	0.00	6,699,093.75	7,448,187.50
07/01/2006		581,750.00	581,750.00	0.00	0.00	581,750.00	
01/01/2007	6,430,000.00	581,750.00	7,011,750.00	0.00	0.00	7,011,750.00	7,593,500.00
07/01/2007		396,887.50	396,887.50	0.00	0.00	396,887.50	
01/01/2008	6,490,000.00	396,887.50	6,886,887.50	0.00	0.00	6,886,887.50	7,283,775.00
07/01/2008		210,300.00	210,300.00	0.00	0.00	210,300.00	
01/01/2009	7,010,000.00	210,300.00	7,220,300.00	0.00	0.00	7,220,300.00	7,430,600.00
TOTAL	64,260,000.00	34,236,351.58	98,496,351.58	1,120,000.00	5,432,850.00	105,049,201.58	105,049,201.58

Book-Entry System

General

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Refunding Bonds. The Refunding Bonds will be issued as fully-registered certificates, without coupons, registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for the Refunding Bonds in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Refunding Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Refunding Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Refunding Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Refunding Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Refunding Bonds within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. will consent or vote with respect to Refunding Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City on behalf of the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest with respect to the Refunding Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on a payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on a payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, the District, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District, City or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Refunding Bonds at any time by giving reasonable notice to the District or the Paying Agent, or the District may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District and the City believes to be reliable, but the District and the City take no responsibility for the accuracy thereof. The District and the City cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Refunding Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Refunding Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Discontinuation of Book-Entry System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Refunding Bonds, the following provisions will govern the payment, registration, transfer, exchange and replacement of the Refunding Bonds.

The principal with respect to the Refunding Bonds and any premium upon the redemption thereof prior to maturity shall be payable in lawful money of the United States of America to the registered owner thereof, upon the surrender thereof at the principal corporate trust office of the Paying Agent. The interest on the Refunding Bonds shall be payable in like lawful money to the person whose name appears on the bond registration books of the Paying Agent as the owner thereof as of the Record Date for such interest payment date.

Refunding Bonds may be exchanged at the principal corporate trust office of the Paying Agent, for a like aggregate principal amount of Refunding Bonds of other authorized denominations of the same maturity. The Paying Agent shall require the payment by the Refunding Bond owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchange of Refunding Bonds shall be required to be made by the Paying Agent during

the period from the Record Date next preceding each interest payment date to such interest payment date.

The Paying Agent will keep or cause to be kept, at the principal corporate trust office of the Paying Agent, sufficient books for the registration and transfer of the Refunding Bonds, which shall at all times during regular business hours be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Refunding Bonds as hereinbefore provided.

THE PLAN OF REFUNDING

The net proceeds of the Refunding Bonds will be used to refund all or a portion of the 1979 Bonds, the 1986A Bonds and the 1986 Bonds. The 1979 Bonds which are being refunded are referred to as the "1979 Refunded Bonds", the 1986A Bonds which are being refunded are referred to as the "1986A Refunded Bonds" and the 1986 Bonds which are being refunded are referred to as the "1986 Refunded Bonds."

Following is a table which identifies the amount of each maturity of each series of the Prior Bonds which are to be refunded. In all cases, each such amount constitutes 100% of the corresponding maturity:

REFUNDED BONDS			
Issue	Maturities	Redemption Date	Amount to be Refunded
1979 Refunded Bonds	1997 - 2009	July 1, 1994	\$13,500,000
1986A Refunded Bonds	2003, 2007	January 1, 1996	20,000,000
1986 Refunded Bonds	1998 - 1999, 2005	January 1, 1996	25,940,000

To facilitate the current refunding of the 1979 Refunded Bonds and the advance refunding of the 1986A Refunded Bonds and the 1986 Refunded Bonds, the net proceeds of the Refunding Bonds will be applied as set forth in the section of this Official Statement entitled "**THE REFUNDING BONDS — Estimated Sources and Uses of Proceeds.**"

The current refunding of the 1979 Bonds on July 1, 1994 will be accomplished by transferring to the redemption account established for the 1979 Bonds cash and direct obligations of, or obligations guaranteed by, the United States of America, in which the District may lawfully invest its money and which are not subject to redemption prior to maturity thereof (collectively, "Federal Securities"), which will be sufficient to pay the redemption price of the 1979 Bonds.

The deposit to be made pursuant to the Escrow Agreement, dated May 15, 1994 by and among the District, the City and Bank of America National Trust & Savings Association, as escrow agent, will consist of Federal Securities. The Redemption Fund established pursuant to the Escrow

Agreement will contain two accounts: (i) an account which will be sufficient to pay the principal, premium and accrued interest with respect to the 1986A Refunded Bonds on January 1, 1996, when the 1986A Refunded Bonds will be redeemed; and (ii) an account which will be sufficient to pay the principal, premium and accrued interest with respect to the 1986 Refunded Bonds on January 1, 1996, when the 1986 Refunded Bonds will be redeemed.

Ernst & Young, Tucson, Arizona, will verify the arithmetical computations used to determine the sufficiency of the deposits of cash and Federal Securities described above. Such cash and Federal Securities will be available only for the payment of the bonds for which such escrow is created, and the amounts on deposit therein will neither serve as security for nor be available for the payment of the principal of or the interest on the Refunding Bonds.

THE ENVIRONMENTAL GROWTH FUND

In 1972, the City Charter was amended by voter approval to create the Environmental Growth Fund, (the "EGF"). The City deposits into the EGF, 25% of all moneys received from any franchises for the transmission and distribution of gas, electricity and steam within the City. Almost all of the franchise fees in the EGF are derived from San Diego Gas and Electric ("SDG&E"). SDG&E pays 3% annually, calculated as a percentage of total gross SDG&E revenues, as a Utility Franchise Fee to the City of San Diego. 25% of the 3% SDG&E Utility Franchise Fees received by the City is appropriated to the EGF. Franchise fee payments are made by SDG&E four times a year in February, May, August and November. The May, August and November payments are each equal to 25% of the actual franchise payments made for the previous calendar year. The February payment is an adjustment payment made on the basis of SDG&E's actual results of operations for the preceding calendar year.

The City has pledged a portion of its EGF to pay the principal of and interest on the Refunding Bonds as well as the unrefunded portions of the Prior Bonds and any bonds which may refund the Refunding Bonds and such Prior Bonds. See **"THE REFUNDING BONDS — Source of Payment for the Refunding Bonds"** herein.

The following table sets forth the maximum annual EGF contribution by the City to the payment of Open Space Park Bonds for the last six years:

**CITY OF SAN DIEGO PLEDGE OF ENVIRONMENTAL
GROWTH FUND TO OPEN SPACE PARK BONDS**

Fiscal Year	Franchise Fee Payments	EGF (25% of Franchise Fees)	2/3 of EGF (Maximum Annual City Pledge)
1989	\$21,842,085	\$5,460,521	\$3,640,444
1990	21,304,839	5,326,209	3,550,804
1991	23,344,795	5,836,198	3,890,798
1992	23,713,579	5,928,394	3,952,262
1993	24,448,536	6,112,134	4,074,754
1994*	25,109,903	6,277,476	4,184,982

* Estimated.

Source: City of San Diego

THE DISTRICT

On February 23, 1977, the City Council adopted the San Diego Open Space Park Facilities District Procedural Ordinance. Pursuant to Resolution No. 220486 adopted by the City Council on March 20, 1978, the City formed San Diego Open Space Park Facilities District No. 1. The City Council serves as the governing body of the District. When the District was organized in 1977 and 1978, the boundaries thereof were made coterminous with the boundaries of the City. Pursuant to the Procedural Ordinance, unincorporated territory that is being annexed to the City may be concurrently annexed to the District. The current procedure of the City is to require property annexed to the City to be annexed to the District in accordance with the Procedural Ordinance.

The City Council found that the formation of a park district for the purpose of acquiring open space properties to implement the Open Space Element of the City's General Plan would specifically benefit all property within the City. The Open Space Element, adopted in 1973, of the City's General Plan, directed that sites proposed for acquisition and preservation are substantially undeveloped canyons, plains and lagoon areas which, because of their topography and location, act as recreational and scenic areas between communities.

A description of the City is provided in "**APPENDIX A — GENERAL ECONOMIC AND FINANCIAL INFORMATION ON THE CITY OF SAN DIEGO.**"

LEGAL MATTERS

Tax Exemption

In the opinion of Orrick, Herrington & Sutcliffe, Los Angeles, California and Williams & Gilmore, La Jolla, California ("Co-Bond Counsel"), based upon applicable laws, regulations, rulings and court decisions, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Co-Bond Counsel are also of the opinion that interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. A complete copy of the opinion of Co-Bond Counsel is set forth in Appendix D hereto.

The Internal Revenue Code of 1986 (the "Code") imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Refunding Bonds. The District has covenanted to comply with certain restrictions designed to assure that the interest on the Refunding Bonds will not be included in federal gross income. Failure to comply with these covenants may result in the interest on the Refunding Bonds being included in federal gross income, possibly from the date of issuance and delivery of the Refunding Bonds. The opinion of Co-Bond Counsel assumes compliance with these covenants. Co-Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance and delivery of the Refunding Bonds may affect the tax status of the interest on the Refunding Bonds.

Certain requirements and procedures contained or referred to in the Refunding Bonds Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Refunding Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Co-Bond Counsel express no opinion as to any Refunding Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe and Williams & Gilmore.

Co-Bond Counsel are of the opinion, based on applicable laws, regulations, rulings and court decisions, that the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of any maturity of the Refunding Bonds is sold and the amount payable at maturity thereof constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. Such discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof. The original issue discount accrues over the term to maturity of each such maturity of each Refunding Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Refunding Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Refunding Bonds. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Refunding Bonds who purchase after the initial offering of a substantial amount of such maturity. Owners who do not purchase the Refunding Bonds in the initial offering at the initial offering price should consult their own tax advisors with respect to the tax consequences of ownership of the Refunding Bonds with original issue discount. All Owners of Refunding Bonds with original issue discount should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that such loss is attributable to accrued original issue discount. Owners of such Refunding

Bonds should also consult their own tax advisors with respect to the treatment of accrued but unpaid interest on such Refunding Bonds under federal individual and corporate alternative minimum taxes.

Although Co-Bond Counsel have rendered an opinion that the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on the Refunding Bonds may otherwise affect an Owner's tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

Legal Opinions

Orrick, Herrington & Sutcliffe, Los Angeles, California and Williams & Gilmore, La Jolla, California, Co-Bond Counsel, will render an opinion with respect to the validity and enforceability of the Refunding Bonds Resolution and the City Ordinance. Copies of such approving opinion will be available at the time of delivery of the Refunding Bonds at the expense of the District. Co-Bond Counsel undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement. Certain legal matters will be passed upon for the District and for the City by the City Attorney.

No Litigation

There is no litigation pending against the District or the City nor, to the knowledge of the officers of the District and the City, threatened, in any court or other tribunal of competent jurisdiction, state or federal, in any way (a) restraining or enjoining the issuance, sale or delivery of any of the Refunding Bonds, (b) questioning or affecting the validity of the Refunding Bonds, (c) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Refunding Bonds, or (d) questioning or affecting the validity or enforceability of the resolutions. To the knowledge of the District, the City and the City Attorney, there are pending against the City lawsuits and claims arising in the ordinary course of the City's activities which taken individually or in the aggregate, could materially affect the City's finances. However, taking into account expected insurance and self-insurance reserves expected to be available to pay liability arising from such actions, the City does not expect any or all such claims to impair its ability to make principal and interest payments when due on the Refunding Bonds.

Legality for Investment in California

Under provisions of the California Financial Code, the Refunding Bonds are legal investments for commercial banks in California to the extent that the Refunding Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the Government Code of the State, are eligible for security for deposits of public moneys in the State.

MISCELLANEOUS

Ratings

Moody's Investors Service and Standard & Poor's Corporation have assigned their municipal bond ratings of "Aaa" and "AA +", respectively, to the Refunding Bonds. The ratings issued reflect only the views of such rating agencies, and any explanation of the significance of such ratings should be obtained from such rating agencies. There is no assurance that such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such respective rating agencies if, in the judgment of such rating agencies, circumstances so warrant. The District and the City undertake no responsibility either to bring to the attention of the owners of the Refunding Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Refunding Bonds.

Underwriting

Pursuant to the terms of the public bid dated May 10, 1994, PaineWebber Incorporated, as Underwriter, has contracted to purchase the Refunding Bonds from the District at the purchase price of \$63,673,975.15 plus accrued interest from May 15, 1994 to the date of delivery of the Refunding Bonds and to re-offer the Refunding Bonds pursuant to the terms and conditions set forth on the cover page of this Official Statement. The Underwriter will be obligated to take and pay for all of the Refunding Bonds if any Refunding Bond is purchased.

Co-Financial Advisors

Public Resources Advisory Group, New York, New York, E. J. De La Rosa & Co., Inc., Los Angeles, California and Municipal Capital Management, Inc., Santa Monica, California, (the "Co-Financial Advisors") have entered into a contract to serve as financial advisors to the City with respect to the sale of the Refunding Bonds. The Co-Financial Advisors assisted the City in the preparation of this Official Statement and in other matters relating to the planning, structuring, and issuance of the Refunding Bonds. The Co-Financial Advisors will receive a fee for the above services payable from proceeds of the Refunding Bonds.

Additional Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District and the City have not entered into a contractual commitment to provide information on a continuing basis to investors or any other party, except to the extent such information is required to be provided pursuant to the City's contracts with nationally recognized rating organizations.

Copies of documents referred to herein are available upon request with payment of copying, mailing and handling charges by contacting the City at the following address:

The City of San Diego
202 "C" Street, MS 9B
San Diego, California 92101
Attention: Financial Management Director

CITY OF SAN DIEGO

By /s/ Jack McGrory
City Manager

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APPENDIX A

GENERAL ECONOMIC AND FINANCIAL INFORMATION ON THE CITY OF SAN DIEGO

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THE CITY OF SAN DIEGO

Introduction

With a total population in excess of 1.1 million and an area of 403 square miles, the City of San Diego (the "City") is the sixth largest city in the nation and the second largest city in California. A major factor contributing to the City's historically steady growth is quality of life. In addition to having one of the world's most favorable climates, the City offers a wide range of cultural and recreational services to both residents and visitors. With mild temperatures year round, the City's numerous beaches, parks, tennis courts, and golf courses are in constant use. Another factor in the City's growth has been its steadily expanding economy. The City's economic base, which in the past was heavily reliant on federal defense spending, has undergone a transformation in recent years. The new economic foundation is based on four major areas: international trade; high tech manufacturing; professional services; and a tourist industry with a strong convention trade component. Each of these areas has continued to register growth despite the current recession, and together they should provide the basis for the City's future economic growth. Overall, the City's employment has dropped 1.4% from 1990 to 1992 and increased 0.9% from 1991 to 1993.

The City of San Diego's emergence as a center for international trade has been made possible in part by the Port of San Diego, which offers world class maritime facilities built around one of the world's great natural harbors. The Port of San Diego offers handling services at rates below those of other major west coast ports such as Los Angeles and San Francisco.

The City of San Diego and the San Diego Unified Port District were recently granted the exclusive right to develop a World Trade Center in San Diego. The Center will be located in the downtown area and in addition to the federal conversion dollars San Diego stands to receive, the Center is expected to deliver immediate benefits to the City in the form of increased demand for downtown office space and increased business activity for retailers located near the World Trade Center building. The World Trade Center status will allow San Diego businesses to buy and sell to customers in over 240 cities world-wide.

In fall 1993, the City applied for and was awarded a \$5.7 million U.S. Economic Development Administration Grant. In addition, the City and local partners will contribute \$4.4 million in cash and in-kind donations to foster economic development and international trade activities. This resource, totalling over \$10 million, will be used to operate the World Trade Center and to further San Diego's Economic Adjustment Program Strategy, a regional plan adopted in June 1992 to provide the City with the foundation to build a strong, diversified economic climate.

International trade activity is also facilitated by the City's immediate proximity to Mexico, a major U.S. trading partner, whose rapidly growing economy depends in part on U.S. manufactured products to support development of its new industrial base. Reflective of the San Diego-Mexico connection is the rapid growth of the City's industrial complex located on the Otay Mesa area adjacent to the border. Many of these facilities are twin plants, or "maquiladoras" with operations both in the U.S. and Mexico. Since 1986, 300 companies have moved into the area, generating 3,800 jobs. U.S. Department of Commerce export data indicates the strength of this trade relationship; from 1986 to 1991, the City's exports to Mexico tripled, growing from \$377 million to \$1.279 billion. It is anticipated that the North American Free Trade Agreement (NAFTA) will result in increased trade for San Diego with both Mexico and Canada.

A major component in San Diego's historical growing prominence as a center for "high tech" industry has been the rapid growth of biotechnology based companies. According to a study released by the Ernst & Young accounting firm, San Diego has overtaken Los Angeles and Washington, D.C. to become the fourth largest concentration of biotech firms in the U.S., accounting for 8% of such firms in the nation. During the period July 1991 to June 1992, revenues by San Diego based biotech

companies totaled \$139 million.

The professional services sector, including firms in the business services, health, engineering and management services areas, is expected to add 51,000 jobs to the San Diego economy during the period 1990 to 1997, according to projections prepared by the California Employment Development Department. The service sector has proven extremely resilient, continuing to add jobs in 1991, 1992 and 1993, despite downturns in total nonagricultural employment during the same period.

San Diego's long established tourism industry entered a new phase in 1989 with the opening of the San Diego Convention Center. With the opening of the Center, total convention revenues reached \$547 million in 1992, a 60% increase from 1988. Plans are underway to double the capacity of the Center.

Economic Information

Introduction

The economic and demographic information provided below has been collected from sources which the City deems to be reliable.

Population

Since 1980, the City's population has increased by 296,062 (or by approximately 23,000 new residents annually). While the rate of growth has slowed in recent years, the City's population still grew by 21,000 people in 1993.

Table 1
POPULATION GROWTH
1980 - 1993

<u>Calendar Year</u>	<u>City of San Diego⁽¹⁾</u>	<u>Annual Growth Rate</u>	<u>County of San Diego⁽²⁾</u>	<u>Annual Growth Rate</u>	<u>State of California</u>	<u>Annual Growth Rate</u>
1980	875,538	--	1,861,846	--	23,780,000	--
1985	970,062	2.1%	2,102,500	2.5%	26,358,000	2.1%
1986	995,889	2.7	2,169,900	3.2	26,999,000	2.4
1987	1,019,444	2.4	2,248,500	3.6	27,655,000	2.4
1988	1,044,137	2.4	2,328,300	3.6	28,323,000	2.4
1989	1,073,186	2.8	2,418,200	3.9	29,063,000	2.6
1990	1,110,549	3.5	2,498,016	3.3	29,760,021	2.4
1991	1,128,500	1.6	2,546,800	2.0	30,351,000	2.0
1992	1,150,600	2.0	2,604,500	2.3	30,982,000	2.1
1993	1,171,600	1.8	2,648,600	1.7	31,552,000	1.8

⁽¹⁾ City Planning Department's January 1 estimates which are based on the U.S. Census counts or official State Department of Finance estimates.

⁽²⁾ U.S. Census 1980-1990; State Department of Finance estimates for 1991, 1992, and 1993.

The following chart sets out school enrollment in the San Diego Unified School District.

Table 2
SAN DIEGO UNIFIED SCHOOL DISTRICT
ENROLLMENT AND ATTENDANCE

<u>School Year</u>	<u>Enrollment</u>	<u>Average Daily Attendance</u>
1988-89	116,657	114,065
1989-90	118,889	116,192
1990-91	121,152	118,175
1991-92	123,615	120,448
1992-93	125,125	121,800

Source: San Diego Unified School District

Employment Summary

As seen in Table 3, the City's unemployment rate for calendar year 1993 was 8.0% up from 7.5% in calendar 1992. The increase in the unemployment rate from 1992 to 1993 marked the fourth consecutive increase, following seven consecutive years of falling rates. The City's rate was still lower than the State's at 9.2%, but above the U.S. rate of 6.7%.

Table 3
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Civilian Labor Force							
City of San Diego							
(in Thousands)							
Employed	479.0	511.0	534.0	514.0	505.0	507.0	509.6
Unemployed	23.0	23.0	22.0	24.0	34.0	41.0	44.5
Unemployment Rates⁽¹⁾							
City ⁽²⁾	4.5%	4.3%	4.0%	4.5%	6.3%	7.5%	8.0%
County	4.5	4.3	3.9	4.4	6.1	7.4	8.6
California	5.8	5.3	5.1	5.6	7.5	9.1	9.2
United States	6.2	5.5	5.3	5.5	6.7	7.4	6.7

⁽¹⁾ The unemployment rate is computed from unrounded data, and it may differ from rates using the rounded figures in this table.

⁽²⁾ City data is not strictly comparable prior to 1990, due to a change in methodology.

Source: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor -- Department of Labor Statistics for the United States.

As shown in Table 4, during the period 1988 to 1993, total nonagricultural wage and salary employment in San Diego County recorded a net increase of 14,200 new jobs, resulting in an annual rate of growth for the period of 0.3%. The services and government sectors accounted for most of the increase, with annual growth rates of 3.3% and 1.9% respectively during the period. Combined, these two sectors added 59,000 workers. Other business categories showing growth included wholesale trade, increasing at a rate of 0.2% per year between 1988 and 1993, and nondurable manufacturing, increasing at a rate of 3.2%. These increases were partially offset by reductions in retail trade, durable manufacturing, construction and the finance, insurance and real estate sector. Cutbacks in defense spending and the lingering national recession were the main factors behind the downturns.

Employment levels were down in calendar year 1993, with nonagricultural wage and salary employment averaging 930,800, a decrease of 1.5%, or 14,200 jobs from the previous year, with retail trade, durable goods manufacturing, and construction showing the sharpest declines. Not all major sectors declined; services employment increased by 2,800 workers.

The following table shows wage and salary employment for the various industry groups in San Diego County.

Table 4
SAN DIEGO METROPOLITAN AREA
WAGE AND SALARY EMPLOYMENT⁽¹⁾
(in thousands)

	Annual Average					
	1988	1989	1990	1991	1992	1993
Mining	0.8	0.8	0.7	0.6	0.5	0.5
Construction	57.4	63.8	59.8	50.4	43.3	39.9
Manufacturing	130.1	135.4	137.8	134.7	124.0	116.2
Nondurable Goods	25.7	27.0	28.8	29.3	30.2	30.1
Durable Goods	104.5	108.4	109.0	105.4	93.8	86.1
Transportation, Public Utilities	35.1	35.8	37.2	36.8	34.7	34.8
Trade	223.0	233.6	238.6	230.8	219.7	214.7
Wholesale	41.0	42.8	44.5	42.3	42.6	41.5
Retail	181.9	190.8	194.1	188.5	177.1	173.2
Finance, Insurance, Real Estate	65.0	66.5	66.4	64.3	60.9	60.4
Services	242.5	259.5	274.7	277.3	282.8	285.6
Government	162.8	169.3	177.4	179.5	179.1	178.7
Federal	45.3	47.4	49.2	47.7	45.3	44.2
State and Local	117.6	121.9	128.2	131.8	133.8	134.5
Total Nonagricultural	916.6	964.6	992.5	974.3	945.0	930.8

⁽¹⁾ Figures may not add to total due to independent rounding.

Source: State of California Employment Development Department, U.S. Department of Labor, Bureau of Labor Statistics.

Manufacturing

Despite recent downturns, due in large part to cutbacks in defense spending, manufacturing remains one of San Diego's largest economic sectors. In 1992, total manufacturing output was estimated at \$15.2 billion, accounting for approximately 25% of San Diego County's Gross Regional Product, and more than double 1980's output of \$6.9 billion. During 1993, manufacturing employment fell by 7,800 jobs, with most of the losses occurring in the defense related aerospace and electronics sectors. Employment in the nondurable goods category, including apparel, food processing and chemicals recorded a much smaller decline, falling by 100 jobs in 1993.

To facilitate the transition of San Diego's manufacturing base from defense to non-defense activities, the City applied for and received State and Federal funding to support a comprehensive economic conversion program. Components of the program include a High Technology Transfer Center, a Technology Business Incubator Program, a World Trade Center, and a Seed Capital Fund.

Construction

The construction sector, which fueled much of the City's economic expansion during the 1980's, has slowed in the 1990's due to the continuing recession and a surplus of inventory, particularly in the commercial area. Reflecting this downturn in activity, construction employment was

down in 1993 for the fourth consecutive year, falling by 7.9% from 1992 levels. From the period January to December 1993, construction employment trended upward, growing 8.8%, compared with a 5.3% decline during the same twelve month period in 1992. Supporting the possibility of a recovery in construction has been the upturn in permit valuations and single family authorizations during the last quarter of 1993.

Lack of affordability has been a major obstacle to a resumption of building activity in San Diego; however, with home prices falling for three consecutive years, and prices nearing 1989 levels, affordability has improved considerably. Increased affordability combined with a nearly fixed supply of housing and continuing growth in population should provide the foundation for an eventual resumption in residential construction over the next several years.

Transportation & Utilities

The transportation and utilities sector stabilized in 1993 with a slight increase of 0.3% after falling by 5.7% in 1992.

Retail and Wholesale Trade

Accounting for approximately 23% of total nonagricultural wage and salary employment, the trade sector, consisting of retail and wholesale trade, is a major component of the San Diego economy. Retail trade employment was down in 1993 for the third consecutive year, falling by 2.3%, after a 6.0% drop in 1992. Wholesale trade employment decreased by 2.6% in 1993, after recording a slight increase of 0.7% in 1992.

Finance, Insurance and Real Estate

Employment in the finance, insurance and real estate sector fell by 0.8% in 1993 following a 5.3% drop in 1992. This stabilization trend may reflect a levelling off in the finance and real estate sectors, after several years of decline.

Services

The services sector, which accounted for 31% of all nonagricultural wage and salary employment in 1993, grew by 1.0% in 1993 over the previous year. Business, services, amusement and engineering were the strongest sectors for employment growth.

Government

The government sector, which accounted for 19% of total 1993 nonagricultural wage and salary employment, fell by a modest 0.2% between 1992 and 1993. All of the decline was in the federal sector, as state and local government actually added workers. During 1993, federal employment fell by 2.4%, while the larger state and local employment grew by 0.5%.

Military Employment

The U.S. Department of Defense contributes about \$10 billion annually to the local economy through wages paid to uniformed military and civilian personnel and through purchases of equipment and services from local businesses. The Presidential Base Closure Commission has recommended the closure of the Naval Training Center. The President has approved the Commission's recommendations for base closures throughout California; San Diego County could experience a net gain of between 8,000 and 15,000 military and civilian jobs due to other base closures.

To expedite plans for the transformation from military to civilian use of the military bases in California selected for closure by the Base Closure Commission, the Governor of California established

a Base Reuse Task Force, with San Diego Mayor Susan Golding to serve as Chairperson. The purpose of the Commission is to promote the rapid conversion of these installations to civilian uses that maximize job creation and long term economic growth. Within the City of San Diego, emphasis will be on rapid conversion of the Naval Training Center, which would appear to offer substantial potential given its proximity to San Diego Bay, Downtown San Diego and major commercial/population centers.

Table 5
ACTIVE MILITARY PERSONNEL STATIONED IN SAN DIEGO COUNTY
1988 - 1992

<u>Calendar Year</u>	<u>Military Personnel⁽¹⁾</u>	<u>Civilian Labor Employment</u>	<u>Total Employment</u>	<u>Military Personnel as a Percent of Total Employment</u>
1988	130,600	1,078,400	1,209,000	10.80%
1989	133,700	1,125,900	1,259,000	10.61
1990	134,000	1,121,600	1,255,600	10.68
1991	139,700	1,099,000	1,238,000	11.28
1992	133,700	1,109,900	1,243,600	10.75

⁽¹⁾ Rounded to the nearest hundred.

Source: City of San Diego Chamber of Commerce ; State of California Employment Development Department.

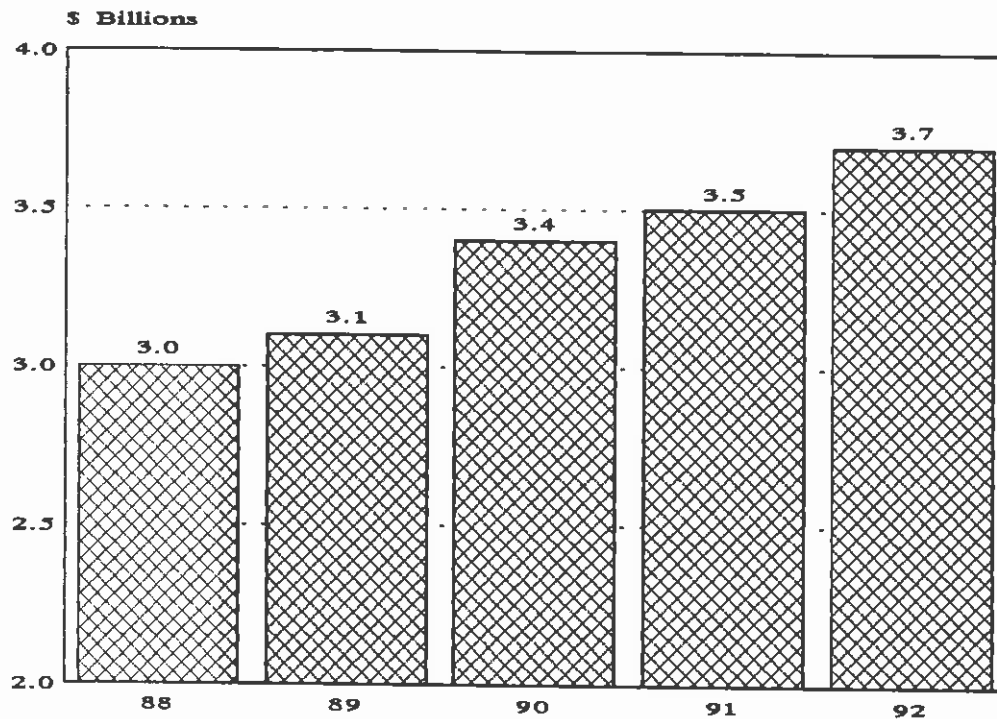
Increased military presence in 1991 may be explained by the higher level of military activity due to the Persian Gulf War. Although personnel are temporarily relocated, counting takes place at the permanently assigned location. Reassignments to the San Diego area to cover for those shipped overseas could have brought about the increased count in the region.

Tourism

Tourism and international trade are sectors of the economy that cut across industry lines, and, as such, should be considered separately from the more specific industry classifications addressed in the preceding section.

The visitor industry is San Diego's third largest in terms of income generation, behind manufacturing and the military. During 1993, an estimated 119,200 workers, or 13% of the total nonagricultural wage and salary employees, were employed in San Diego's visitor industry, down slightly from 1991's figure of 120,800 and below 1990's high figure of 123,300. Although visitor related employment was down in 1992, total visitor spending continued to climb during the year, reaching \$3.7 billion in 1992, up by 5.6% from the previous year. The following graph depicts total visitor spending in San Diego County since 1988.

**Total Visitor Spending
San Diego County
1988-1992**



Source: San Diego Convention & Visitors Bureau

Total visitor spending almost doubled (up 85%) between 1984 and 1992. Contributing to this growth has been a sharp increase in convention activity. Spending by convention delegates totaled \$547 million in 1992, as can be seen in the following table, up from \$218 million in 1984.

**Table 6
CONVENTION INDUSTRY
1989 - 1992**

<u>Calendar Year</u>	<u>Estimated Spending</u>	<u>Number of Conventions</u>	<u>Total Delegate Attendance</u>
1989	\$ 353,493,000	1,769	672,897
1990	432,961,351	1,698	785,224
1991	478,848,919	1,548	792,382
1992	547,019,000	1,279	843,065

Source: San Diego Convention and Visitors Bureau.

In both 1992 and 1993, San Diego International Airport at Lindbergh Field had a record number of airport arrivals, 5.9 million arrivals each year. This figure represents an annual increase of 4.9% over 1991 airport arrivals.

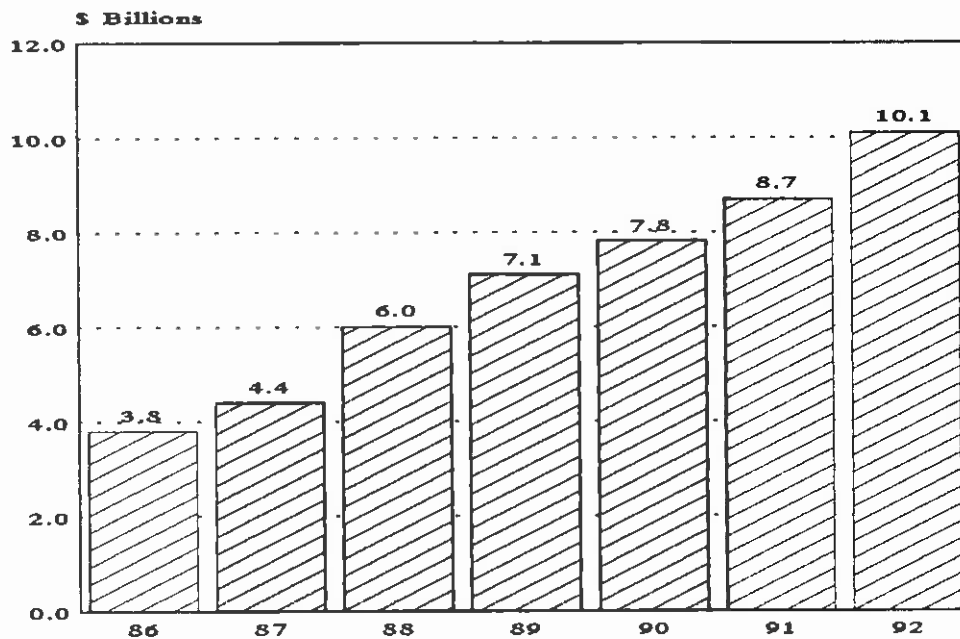
The City of San Diego is the focal point for tourism in the region. Major attractions located in the City include the world-renowned San Diego Zoo which had nearly 3 million visitors in 1992, the San Diego Wild Animal Park with 1992 attendance of 1.5 million, and the Anheuser-Busch owned Sea World. While attendance figures for Sea World are no longer released, attendance was judged to be strong in 1992, with the opening of a major new exhibit *Shark Encounter*, which offers an innovative display of the world's largest collection of captive sharks. Other attractions include the Cabrillo National Monument on Point Loma, with 1.4 million visitors in 1992, Balboa Park, home to the Zoo and a host of other cultural and recreational activities, downtown's historic Gaslamp Quarter, and the Old Town State Park.

In addition to the many permanent attractions available to visitors, San Diego has also been host to a number of major sporting events. Most recently, the City hosted the 1992 America's Cup, which generated an estimated \$300 million in revenues. The City will host the next America's Cup challenge in the spring of 1995. The City has also hosted a Super Bowl (Super Bowl XXII, held in January, 1988) and has been selected to host Super Bowl XXXII, scheduled for January 1998. The 1988 Super Bowl generated approximately \$130 million in revenues.

International Trade

San Diego has experienced substantial growth in international trade in recent years, despite sluggish performance in some other key sectors of the local economy. During 1992, the total dollar value of international trade passing through the San Diego customs district increased by 16.5% to more than \$10.1 billion, with exports of \$5.6 billion and imports of \$4.5 billion. Between 1983 and 1992, the value of international trade grew at an annual rate of 19.0%, compared with an annual growth rate of 4.7% statewide. The following graph depicts total valuation of international trade for the San Diego region since 1986.

**Valuation of International Trade
San Diego Customs District
1986-1992**



Source: U.S. Dept. of Commerce

While not all of the products exported through the San Diego customs district originate in San Diego, a substantial percentage can be attributed to local businesses. According to a Bureau of the Census survey, during 1991 approximately \$3.5 billion in products produced in San Diego were exported to foreign markets. Manufactured products accounted for 96% of this total, with agricultural products and other commodities accounting for the remaining 4%. The major components of San Diego's manufacturing exports are electrical/electronic machinery, non-electrical machinery, scientific instruments, and transportation equipment.

Mexico accounts for 36% of the San Diego produced exports, followed by Canada at 10.9% and Japan at 8.2%. The other significant trading partners are divided between Asia and western Europe. With its border location, a diversified manufacturing base, and one of the world's great natural harbors, San Diego is well positioned to take advantage of planned efforts to relax trade barriers with Mexico and the rapidly growing economies of Asia and Mexico.

Major Employers

Industry in the San Diego area is diverse. Some of the leading industries include Education and Health Services, Aerospace, Financial Services, Food Services, Manufacturing and Entertainment. The following chart sets out major employers in the City as of August 1993.

Table 7
MAJOR EMPLOYERS
As of August 1993

<u>Company</u>	<u>Product/Service</u>
10,000 or More Employees:	
San Diego Unified School District	Education
Sharp Health Care	Health Service
University of California, San Diego	Higher Education
5,000 - 9,999 Employees:	
General Dynamics	Aerospace/Defense Electronics
Pacific Bell	Utility
San Diego Community College District	Higher Education
Scripps Institute of Medicine & Science	Health Services
3,000 - 4,999 Employees:	
Cubic Corporation	Electronics, Elevators
General Dynamics, The Carlyle Group	Aerospace/Defense Electronics
Hughes Aircraft Co.	Aerospace
Kaiser Medical Foundation	Health Care
National Steel & Shipbuilding Co.	Shipbuilding, Repair
San Diego Gas & Electric	Utility
San Diego State University	Higher Education
Science Applications International Corp.	Research and Development
Scripps Clinic & Research Foundation	Health Services
Sea World of California	Entertainment
Solar Turbines, Inc.	Gas Turbine Manufacturing
Price Co./Costco.	Wholesale
2,000 - 2,999 Employees:	
Atlas Hotels, Inc.	Hotel
Bank of America NT & SA	Banking
Foodmaker, Inc.	Food Services
Lucky Stores	Food Services
Mercy Health Care San Diego	Health Care
Nordstrom	Retail
Scripps Memorial Hospital	Health Care
Sony Engineering and Manufacturing of America	Electronics
USAIR	Airline
Wells Fargo Bank	Banking

Source: City of San Diego Chamber of Commerce.

Effective Buying Income

"Effective Buying Income" (EBI), also referred to as "disposable" or "after-tax" income, consists of personal income less personal tax and certain non-tax payments. Personal income includes wages and salaries, other labor-related income (such as employer contributions to private pension funds), and certain other income (e.g., proprietor's income; rental income; dividends and interest; pensions; and welfare assistance). Deducted from this total are personal taxes (federal, state and local), certain non-tax payments (e.g., fines, fees and penalties), and personal contributions to a retirement program.

Table 8 shows the per capita effective buying income for the City, the County, the State, and the United States between 1988 and 1992.

Table 8
PER CAPITA EFFECTIVE BUYING INCOME

	<u>City of San Diego</u>	<u>County of San Diego</u>	<u>State of California</u>	<u>United States</u>
1988	\$14,670	\$14,440	\$14,310	\$12,740
1989	15,155	15,391	15,225	13,158
1990	15,997	15,703	15,625	13,444
1991	16,314	15,919	16,479	13,670
1992	17,005	16,123	16,992	14,015

Source: Sales & Marketing Management Magazine "Survey of Buying Power".

Building Permits

Table 9 provides a summary of the building permit valuations, and the number of new dwelling units authorized in the City for the fiscal years 1989 through 1993, and the first six months of fiscal year 1994.

Table 9
BUILDING PERMIT VALUATIONS
AND NUMBER OF DWELLING UNITS
Fiscal Years Ended June 30

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>7/93-12/93</u>
<i>Valuation (in thousands):</i>						
Residential	\$1,104,638	\$1,092,547	\$ 516,072	\$ 380,666	\$ 235,511	178,217
Nonresidential	<u>851,591</u>	<u>738,998</u>	<u>421,476</u>	<u>340,000</u>	<u>350,921</u>	<u>230,901</u>
Total	<u>\$1,956,229</u>	<u>\$1,831,545</u>	<u>\$ 937,548</u>	<u>\$ 720,666</u>	<u>\$ 586,432</u>	<u>\$ 409,118</u>
<i>Number of New Dwelling Units:</i>						
Single Family	3,739	3,072	1,413	1,018	1,018	824
Multiple Family	<u>6,156</u>	<u>6,318</u>	<u>2,609</u>	<u>1,914</u>	<u>1,881</u>	<u>496</u>
Total	<u>9,895</u>	<u>9,390</u>	<u>4,022</u>	<u>2,932</u>	<u>2,899</u>	<u>1,310</u>

Source: City of San Diego Department of Building Inspection

Business Development Program

The City recognizes the need to improve the local business climate and to aggressively support economic development and job creation activities. To achieve this, the City has established a comprehensive Business Development Program. A key element of this program is the Business Expansion and Retention Program which represents a new pro-active effort on the part of the City to work directly with businesses to improve the retention rate among local firms and to expand the level of investment and job growth.

A primary focus of the City's overall business development effort is to streamline the current permitting process and, when feasible, to eliminate or reduce existing fees and permits. To facilitate this process within the City, an Economic Development Cabinet (EDC), composed of those City departments directly involved in the permitting process (Engineering and Development, Building Inspection, Planning, and Neighborhood Code Compliance) was established. The specific objective of the EDC is to establish a "one-stop" permitting process that will reduce the development permit processing time by as much as one-half.

A pilot fast track program was initiated in November, 1991 focusing on the biomedical industry. The effort was subsequently expanded to include other businesses moving to the area and existing firms in the process of expanding. The first "from scratch" project testing the system involved Costco, a major warehouse retailer, which built a major outlet in the Kearny Mesa area. The "fast track" system was able to reduce the time necessary to complete the Costco permitting process by 50%.

In May 1993, the City Council approved a moratorium on the adoption of new fees. The Council is also considering a wide range of changes to the current fee and permitting process, which, if enacted, will result in significant savings to local businesses in terms of both time and money.

Commercial Activity

In downtown San Diego, significant commercial development has occurred over the last several years as a result of the City's redevelopment efforts. Seaport Village, a 13-acre specialty retail development which opened in 1980, contains 99,000 square feet of specialty retail. The total current assessed valuation is \$13 million. Planning and design are currently underway for an expansion of Seaport Village to include an additional 150,000 square feet of retail and related parking. Development value is estimated at \$50 million. Horton Plaza, a major mixed use-retail, entertainment and parking complex, opened in August 1985. Four major department stores and approximately 150 specialty shops occupy the 900,000 square foot mixed-use center. The current assessed value is \$126 million. The recently completed Paladion is a three-story, plus roof terrace, high-end retail complex containing approximately 105,000 square feet of retail and restaurant use.

Several large office developments containing a total of approximately 1,750,000 square feet have been recently completed. The Emerald-Shapery Center, completed in April 1991, with current assessed valuation of \$101 million contains a 375,000 square foot office building, a 475-room hotel with health club, retail space and restaurants. One America Plaza consists of a hotel, an office development, and an integrated major light-rail transit station for the trolley. The 660,000 square foot office tower with the station was completed in December 1991. Current assessed valuation is \$112 million.

Approximately 2,900 housing units have been constructed including senior citizen housing, market rate condominiums, market rate rental units, luxury condominiums and low and moderate income housing. Construction is underway on 321 condominium units and plans for approximately 1,400 additional residential units are in various stages of design and development. The Meridian, a 27-story luxury residential tower containing 172 condominium units, completed in July 1985, currently has an assessed value of \$103 million.

Hotel development consisting of approximately 3,200 hotel rooms has been completed, including the San Diego Marriott Hotel and Marina, Embassy Suites Hotel and the Pan Pacific Hotel of the Emerald-Shapery Center. The Hyatt Regency Hotel, containing approximately 875 rooms located southeast of Seaport Village, opened in December 1992, with an assessed valuation estimated to be \$50.7 million. The San Diego Convention Center, with 254,000 square feet of prime exhibit space, costing approximately \$160 million, was completed in November 1988. The Convention Center Board has commissioned two studies to assess the viability and funding options of expanding the current Center to 500,000 square feet of prime exhibit space. In addition, preliminary planning and site analysis has begun on a proposed downtown sports arena, of course, any new development is subject to general and local economic conditions as well as availability of funding sources.

Research Facilities

Among the more important local research facilities are the Scripps Clinic and Research Foundation, the Naval Electronics Laboratory Center, the Palomar Observatory and the Salk Biological Research Institute headed by Dr. Jonas Salk.

San Diego was selected as the design integration site for the \$1.2 billion Engineering Design Phase of the International Thermonuclear Experimental Reactor (ITER) project, an internationally funded program to demonstrate the scientific and technological feasibility of using magnetic fusion as a source of electrical power. The ITER facility is located in the Torrey Pines Scenic Park. The University of California at San Diego, through its subcontractor Science Applications, Inc., provides administrative oversight and on-site operational support. The project is expected to serve as a spawning ground to spinoff technologies and businesses, similar to the role played by the Scripps and Salk Institutes, two organizations that provided the catalyst for the City's biomedical industry.

Growth Companies

Many businesses in the City of San Diego offer new products in high technology areas ranging from computer graphics to genetic engineering. The following is a list of some of these companies:

<u>Company</u>	<u>Profile/Comments</u>
Qualcomm, Inc.	Industry leader in fiber optics technology. Recently moved headquarters to San Diego Design Center Building.
Brooktree Corp.	Computer graphics technology firm started 10 years ago with 4 employees and currently supports an annual payroll of \$24 million.
Hitachi Home Electronics	The firm relocated its new manufacturing division headquarters from Anaheim, California to San Diego's Otay Mesa industrial area. The Otay facility will provide warehousing, laboratory and other support services to its assembly plant in nearby Tijuana, Mexico.
Science Applications, Inc.	An international scientific research firm, headquartered in San Diego, with a local payroll of approximately 4,000 employees. Annual sales of \$1.5 billion.
Hybritech Inc.	Manufacturer of invitro diagnostics. Local workforce of 1,000 employees.

The following companies constructed new facilities within the last year:

Calbiochem	Pharmaceutical manufacturer
Telios	Pharmaceutical manufacturer
Idec	Pharmaceutical manufacturer
Scripps Cancer Research Center	Cancer research firm

Transportation

San Diego has a well-developed and relatively uncongested highway system. Access in and out of the region is provided by five major freeways running north and south and three freeways running east and west.

Public transportation through the City and metropolitan surrounding communities is provided by the San Diego/Metropolitan Transit Development Board ("MTDB"). The San Diego Trolley, Inc. operates a fleet of electric trolleys that provides transportation for commuters and tourists from downtown San Diego to San Ysidro (adjacent to Tijuana), and from downtown San Diego to Southeast San Diego and East County. In addition, the newest expansion of the trolley provides transportation service from downtown San Diego to the waterfront area, including the Convention Center. Construction has begun on an extension that will provide service from downtown to the historical Old Town section of the City. The Old Town extension, which will feature a 1871 vintage terminal located in the Old Town State Park, is scheduled for completion in January, 1996. Design work has been completed on the next extension, which will go from Old Town through the Mission Valley area, ending at San Diego Jack Murphy Stadium. Service is scheduled to begin on the Mission Valley extension in mid-1997. A further extension of the trolley is under construction in the East County, which will link the City of Santee with the City of El Cajon and, via the existing East County line, to downtown San Diego.

Proposition A, voter approved in November 1987, authorized a one-half cent increase to the local sales tax to fund transportation improvements for the San Diego region. The City of San Diego expects to receive \$123 million over the next seven fiscal years, 1994-2000, from this source.

State Propositions 108/111/116, voter approved in June 1990, increased the State Gas Tax and authorized the sale of rail bonds. The revenues generated from these measures are to be used to implement a comprehensive statewide transportation funding program through the year 2000. Increased revenues to the City of San Diego resulting from Proposition 111's increased gas tax subventions are estimated at \$66.7 million over the ten year period, 1991-2000. Revenues from this source supplement the City's street maintenance program, and contribute to capital improvements.

State Proposition 108, the Passenger Rail and Clean Air Act, also authorized the sale of general obligation rail transit bonds by the State of California. These rail bonds are to be used to fund up to 50% of the non-Federal cost of eligible projects throughout the State. Eligible transit projects under this program include all of the trolley and commuter rail corridors, with a possibility of \$100 to \$150 million available for trolley and commuter rail projects within the San Diego region. The designated recipients to develop rail infrastructure in the region are MTDB and North County Transit District (NCTD).

A related State ballot measure, Proposition 116, the Clean Air and Transportation Improvement Act, generated revenue from the sale of \$1.99 billion in general obligation rail bonds providing specific allocations to finance rail infrastructure, including intercity, commuter and light rail transit statewide. Similar to State Proposition 108, MTDB and NCTD would be the designated recipients for the San Diego region; \$45 million is estimated to be spent in San Diego County.

Municipal Government and Financial Information

Governmental Organization

The City of San Diego is a chartered city and operates under the Council-Manager form of government. The City Council is comprised of eight members elected by district to serve overlapping four-year terms. The Mayor, who presides over the City Council, is elected at large to serve a four-year term. The City Council, which acts as the City's legislative and policy-making body, selects the City Manager, who is the City's chief administrator and is responsible for implementing the policies and programs adopted by the City Council.

Accounting Practices

The City's accounting policies conform to generally accepted accounting principles applicable to governmental units. The City's Governmental Funds and Expendable Trust and Agency Funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both available and measurable. Certain fines and forfeitures, however, are recorded when received as they are not susceptible to accrual. Expenditures are recognized when the related liability is incurred except for (1) principal of and interest on general long-term debt which are recognized when due; and (2) employee annual leave and claims and judgments for litigation and self-insurance which are recorded in the period due and payable. Proprietary Fund, Pension Trust and Nonexpendable Trust Funds use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

The City prepares financial statements annually in conformity with generally accepted accounting principles for governmental entities which are audited by an independent certified public accountant. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The City's most recent general purpose financial statements for the fiscal year ended June 30, 1993 were audited by Calderon, Jaham & Osborn, CPAs.

Budgetary Process

The City's annual budget, which is published in November, is the culmination of the annual budget process which begins in the fall of the preceding year. Public input on service and program priorities is solicited. This input serves as part of the City Council's priority setting for the City Manager's development of the budget.

Based upon City Council budget priorities, departments submit operating and capital improvement project requests to the City Manager for review by the Financial Management Department. The City Manager evaluates and prioritizes the program requirements, determines funding availability and develops a balanced budget as required by the City Charter. This proposed balanced budget is published and presented to the City Council during April.

City Council review of the proposed budget is conducted during May and June. The first two meetings are dedicated to public comment, while the balance of the meetings are conducted as Council workshops focusing on policy issues.

As required by the City Charter, the City Council adopts the Annual Budget and Appropriation Ordinance no earlier than the date of the first Council meeting in July and no later than the last meeting in July. The adoption of the Appropriation Ordinance requires two noticed public hearings which are usually held on consecutive days. The Annual Tax Rate Ordinance is adopted no later than the last Council meeting in August.

The Financial Management Department works closely with the City Auditor and Comptroller to monitor fund balances. Variations from budget or plans are alleviated in a number of ways, including

expenditure reductions or deferrals. Short term issues are resolved with short term solutions. Because the recent persistent recessionary environment has lasted longer than usual, the City has begun to implement longer term solutions such as using the City's revenue raising flexibility and making permanent reductions to programs.

Five Year Summary of Financial Results

The following summary of financial statements combine the general fund and other general obligation bonds funds from the City's annual financial report. These totals are presented to aggregate financial data only and do not conform with generally accepted accounting practices.

Table 10
COMBINED BALANCE SHEET FOR THE GENERAL FUND
AND OTHER GENERAL OBLIGATION BONDS FUND
June 30, 1989 through 1993
(in thousands)

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
ASSETS:					
Cash in Treasury or in Pooled					
Cash Equivalents	\$45,709	\$ 57,826	\$38,677	\$22,359	\$21,450
Cash with Fiscal Agent	837	281	98	78	18
Accounts Receivable--Net	1,100	4,495	5,402	7,393	16,076
Claims Receivable--Net	393	246	259	225	5
Accrued Interest	1,611	2,492	2,666	1,934	2,277
Receivables from Other Agencies--Net	70	70	70	70	70
Taxes Receivable--Net	9,721	10,037	11,835	18,856	15,433
Loan to Redevelopment Agency--Receivable	239	0	0	0	0
From Other Funds--Receivable	0	0	134	43	35,534
Advances to Other Funds	24,917	25,017	26,417	24,427	21,869
Advances to Other Agencies	350	350	350	350	350
Prepaid Reimbursable Items and Deposits	272	290	331	301	784
Total Assets	<u>\$85,219</u>	<u>\$101,104</u>	<u>\$86,239</u>	<u>\$76,036</u>	<u>\$113,866</u>
LIABILITIES:					
Obligations Under Reverse					
Repurchase Agreements	\$15,791	\$21,047	\$10,810	\$ 914	\$1,349
Accrued Wages & Benefits	9,530	11,030	12,947	15,710	16,794
Accounts Payable	2,713	2,476	3,319	2,493	2,606
Deferred Revenue	9,218	9,652	11,396	19,674	18,821
Matured Bonds and Interest Payable	837	281	98	78	18
Contracts and Notes Payable	-	-	-	-	35,500
Advances from Other Funds	-	-	-	-	7
Total Liabilities	<u>\$38,089</u>	<u>\$44,486</u>	<u>\$38,570</u>	<u>\$38,869</u>	<u>\$75,095</u>
FUND BALANCE:					
Reserves:					
For Encumbrances	\$ 9,692	\$ 10,991	\$10,559	\$ 6,101	\$7,313
For Other Advances and Deposits	25,346	25,447	26,847	24,777	22,219
For Debt Service	197	274	102	350	5
Unreserved:					
Designated for Subsequent Years of Expenditure	2,921	4,683	4,453	3,422	3,211
Undesignated	<u>8,974</u>	<u>15,223</u>	<u>5,708</u>	<u>2,517</u>	<u>6,023</u>
Total Fund Equity	<u>47,130</u>	<u>56,618</u>	<u>47,669</u>	<u>37,167</u>	<u>38,771</u>
Total Liabilities and Fund Balance	<u>\$85,219</u>	<u>\$101,104</u>	<u>\$86,239</u>	<u>\$76,036</u>	<u>\$113,866</u>

Source: City of San Diego, Comprehensive Annual Financial Report.

Table 11
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE FOR THE GENERAL FUND AND OTHER GENERAL OBLIGATION BONDS FUND
Years Ended June 30, 1989 through 1993
(in thousands)

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
REVENUES:⁽¹⁾					
Property Taxes and Special Assessments					
Current Year Secured	\$89,081	\$98,042	\$113,059	\$115,399	\$102,913
Other Prop. Taxes and Special Assessments	20,838	22,173	16,517	19,695	19,077
Other Local Taxes	124,936	135,665	130,941	135,215	144,323
Licenses and Permits	7,384	8,677	16,556	19,054	19,909
Fines, Forfeitures and Penalties	12,167	12,829	17,595	13,993	13,951
Revenues from Use of Money and Property	26,953	29,796	30,208	26,842	23,994
Revenues from Other Agencies	40,750	45,871	43,263	41,387	41,684
Charges for Current Services	35,000	39,760	45,028	53,625	52,628
Other Revenue	<u>1,759</u>	<u>1,888</u>	<u>2,354</u>	<u>2,548</u>	<u>2,157</u>
Total Revenues	<u>\$358,868</u>	<u>\$394,701</u>	<u>\$415,521</u>	<u>\$427,758</u>	<u>\$420,636</u>
EXPENDITURES:					
General Government	\$59,108	\$62,325	\$71,387	\$72,510	\$71,202
Public Safety	183,834	197,822	216,915	230,213	231,348
Libraries	12,250	12,202	13,848	15,278	15,277
Park, Recreation and Culture	35,605	36,861	40,218	41,415	40,248
General Services	48,582	51,338	55,416	57,825	57,375
Engineering and Development	13,096	14,972	17,859	22,188	22,664
Debt Service	2,772	2,732	2,696	2,060	1,121
Miscellaneous and Unallocated	<u>9,372</u>	<u>11,473</u>	<u>15,871</u>	<u>10,561</u>	<u>2,768</u>
Total Expenditures	<u>\$364,619</u>	<u>\$389,725</u>	<u>\$434,210</u>	<u>\$452,050</u>	<u>\$442,003</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,751)</u>	<u>4,976</u>	<u>(18,689)</u>	<u>(24,292)</u>	<u>(21,367)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	7,548	9,229	17,694	18,065	35,395
Transfers to Other Funds	<u>(6,598)</u>	<u>(4,717)</u>	<u>(7,954)</u>	<u>(4,275)</u>	<u>(12,924)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 950</u>	<u>\$4,512</u>	<u>\$9,740</u>	<u>\$13,790</u>	<u>\$22,471</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(4,801)</u>	<u>9,488</u>	<u>(8,949)</u>	<u>(10,502)</u>	<u>1,104</u>
FUND BALANCE AT JULY 1	<u>51,931</u>	<u>47,130</u>	<u>56,618</u>	<u>47,669</u>	<u>37,167</u>
Residual Equity Transfers from Other Funds	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>500</u>
FUND BALANCE AT JUNE 30	<u>\$ 47,130</u>	<u>\$ 56,618</u>	<u>\$ 47,669</u>	<u>\$ 37,167</u>	<u>\$38,771</u>

⁽¹⁾ Includes collections for homeowners and business inventory exemptions and prior year's property tax collections.
Source: City of San Diego, Comprehensive Annual Financial Report.

Fiscal Year 1993 Budget

The State's Fiscal Year 1993 Budget resulted in a reduction of \$11.2 million in property tax revenue and \$1.0 million in cigarette tax revenue for the City of San Diego. This was in addition to the \$4.4 million loss in Fiscal Year 1992 of various revenues.

In adopting its Fiscal Year 1993 Budget, the City Council set aside a reserve of approximately \$4 million, as a contingency, to offset unanticipated revenue losses. Throughout Fiscal Year 1993, the rate of growth for major revenue sources slowed. Fiscal Year 1993 revenue projections were based on an expected economic recovery in the first quarter of the calendar year. However, San Diego and California's recovery are lagging behind the rest of the nation. Instead of experiencing an economic recovery, growth in some of the larger revenue sources has been significantly less than projected. Revenue received from sources such as Property Tax, Motor Vehicle License Fees, and Interest Earnings trended below budgeted levels, while sales tax revenues trended consistent with budgeted levels.

During Fiscal Year 1993, in order to minimize the impact of services to the public, a number of temporary expenditure reductions and expenditure deferrals were implemented. In anticipation that economic conditions would improve, some one-time revenues were also utilized to avoid budget reductions.

The operating budget for fiscal year 1993 for the general fund is set out below.

Table 12
OPERATING BUDGET SUMMARY FOR FISCAL YEAR 1993
GENERAL FUND

REVENUE SOURCES:

Property Taxes	\$134,251,559*
Sales Tax	95,684,539
Transient Occupancy Tax	21,600,000
Property Transfer Tax	2,550,000
Licenses and Permits	18,456,541
Fines, Forfeitures and Penalties	15,249,016*
Interest Earnings	8,570,800
Franchises	21,865,746
Other Rents and Concessions	22,744,550
State Motor Vehicle License Fees	42,042,000*
Other Revenues from Agencies	4,366,301
Charges for Current Services	18,925,088
Transfers from Other Funds	71,384,956
Other Revenue and Balances	<u>3,914,037</u>

Total General Fund Revenues	<u>\$481,605,133</u>
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EXPENDITURES:

Public Safety	\$235,394,644
Parks and Recreation	46,276,893
Sanitation and Health	28,600,878
Other Public Services	94,944,175
Support Services	<u>76,388,543</u>

Total General Fund Expenditures	<u>\$481,605,133</u>
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Revenue figures with an asterisk (*) have been impacted by State actions and reallocations.

Source: City of San Diego, Annual Budget Fiscal Year 1993.

Fiscal Year 1994 Budget

The Fiscal Year 1994 Budget was adopted by the City Council on July 27, 1993. It reflects a forecast of negligible growth in revenues due to the weak economic climate in San Diego and California and the impact of the State's budget on the City.

The State faces its third consecutive year of significant gaps between projected revenues and expenditures -- the product of, among other factors, a prolonged recession. The State issued \$2.0 billion in revenue anticipation notes on June 23, 1993 in order to meet the State's cash flow requirements at the end of Fiscal Year 1992-93 and the beginning of Fiscal Year 1993-94.

The Fiscal Year 1993-94 Budget Act signed by the Governor on June 30, 1993, projects that the State General Fund will end Fiscal Year 1992-93 with an accumulated budget deficit of about \$2.7 billion, and a negative fund balance of about \$2.2 billion (the difference being due to certain reserves for encumbrances and school funding costs).

The 1993-94 Budget Act transfers about \$2.6 billion in local property tax revenues from local governments, including cities, counties, special districts and redevelopment agencies, to fund school and community college districts. Approximately \$2.5 billion of this shift would be permanent. The Budget Act eliminates all non-State-funded mandates on local government except those relating to public safety.

The impact of the State's budget on the City of San Diego in Fiscal Year 1993 was a reduction of \$12.0 million in Property Tax revenue and \$1.1 million in cigarette tax revenue. This was in addition to a \$4.4 million impact in Fiscal Year 1992. The State's Fiscal Year 1994 budget was adopted on June 30, 1993, and again included a diversion of Property Tax revenue from the City to the School Districts. In addition, the State enacted legislation that reallocated Motor Vehicle License Fee revenue, and extended the half cent sales tax originally scheduled to end June 30, 1993, to December 31, 1993, increasing the City's Sales Tax revenue. The net impact of the State's actions is a reduction of \$6.9 million to the City's General Fund revenues.

The General Fund portion of the City's budget, which provides services such as police and fire protection, trash collection, library service, parks and recreational programs and other essential services, is \$478.7 million, which is a 0.6% decrease from the Fiscal Year 1993 budget of \$481.6 million. As in Fiscal Year 1993, there are a few one time revenues included in the Fiscal Year 1994 Budget which assists in delaying further budget reductions.

However, the budget is reduced and the number of positions in the General Fund have been reduced by 133 to 6,844. Despite these reductions in personnel, the City's budget reflects priorities of public safety and service to the public, economic development, and building park and street maintenance.

The following table sets out the operating budget for the General Fund for fiscal year 1994.

Table 13
OPERATING BUDGET SUMMARY FOR FISCAL YEAR 1994
GENERAL FUND

REVENUE SOURCES:

Property Tax	\$112,278,846*
Sales Tax	94,781,844
Transient Occupancy Tax	20,092,200
Property Transfer Tax	2,200,000
Licenses and Permits	23,010,440
Fines, Forfeitures and Penalties	20,049,965*
Interest Earnings	7,650,000
Franchises	22,760,630
Other Rents and Concessions	22,450,650
State Motor Vehicle License Fees	44,100,000*
Other Revenue from Agencies	2,110,040
Charges for Current Services	20,794,795
Transfers from Other Funds	83,081,314
Other Revenue and Balance	<u>3,324,820</u>
 Total General Fund Revenues	 <u><u>\$478,685,544</u></u>

EXPENDITURES:

Public Safety	\$240,156,249
Parks and Recreation	44,870,457
Sanitation and Health	31,190,319
Other Public Services	89,332,490
Support Services	<u>73,136,029</u>
 Total General Fund Expenditures	 <u><u>\$478,685,544</u></u>

Revenue figures with an asterisk (*) have been impacted by State actions and reallocations.
Source: City of San Diego, Annual Budget Fiscal Year 1994.

Property Taxes

San Diego County assesses property and collects and distributes secured and unsecured property taxes to the cities, school districts and special districts within the county, including the City. Ad valorem taxes are subject to constitutional limits as discussed under the section "Limitations on Taxes and Appropriations."

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding March 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing the taxes on which there is a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a

period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31 of the fiscal year. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interest belonging or assessed to the assessee.

A supplemental assessment occurs upon a change of ownership of existing property and for new construction upon completion. A supplemental tax bill is issued for the difference in property value resulting from the increase in assessed value which is prorated for the remainder of the year.

Effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric and Pacific Telephone. In lieu of the property tax on these previously included assessed valuations, the City will receive from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

Table 14
ASSESSED VALUATION
1984 - 1994
(in thousands)⁽¹⁾⁽²⁾

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Secured</u> <u>Property</u>	<u>Unsecured</u> <u>Property</u>	<u>Gross Total</u>	<u>Less</u> <u>Exemptions⁽³⁾</u>	<u>Net Assessed</u> <u>Valuations⁽⁴⁾</u>	<u>Annual Assessed</u> <u>Change</u>
1984	\$26,105,549	\$1,424,427	\$27,529,976	\$742,762	\$26,787,214	8.43%
1985	29,159,036	1,706,487	30,865,523	831,580	30,033,943	12.12
1986	32,934,625	1,893,513	34,828,138	1,020,750	33,807,388	12.56
1987	37,330,349	2,012,161	39,342,510	1,028,573	38,313,937	13.33
1988	41,256,462	2,510,496	43,766,958	1,197,058	42,569,900	11.11
1989	43,175,133	2,923,626	46,098,759	1,257,738	44,841,021 ⁽⁵⁾	5.34 ⁽⁵⁾
1990	48,203,351	3,345,666	51,549,017	1,492,849	50,056,168	11.63
1991	53,756,806	3,885,132	57,641,938	1,676,063	55,965,875	11.81
1992	57,563,431	3,946,532	61,509,963	1,792,948	59,717,015	6.70
1993	59,787,900	4,059,854	63,847,754	2,099,768	61,747,986	3.40
1994	60,586,129	4,218,892	64,805,021	2,360,741	62,444,280	1.13

⁽¹⁾ Assessed valuations are based on 100% of full market value.

⁽²⁾ Includes both locally assessed and State assessed utility property.

⁽³⁾ Excludes homeowners' and business inventory exemptions.

⁽⁴⁾ Net assessed valuation for tax rate purposes. Includes both locally assessed and State assessed utility property.

⁽⁵⁾ As mentioned above, effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuation pertaining to public utilities, making these percentages not comparable in 1988-89. Without such change, growth in net assessed valuations would have been approximately 11%.

Source: *City of San Diego Comprehensive Annual Financial Report for the year ended June 30, 1993, "Statistical Section"* (unaudited), pages 148 and 149. County Assessor's Office, 1993 and 1994.

There are a number of factors that have affected Fiscal Year 1993 property tax revenues. On September 2, 1992, the State of California adopted its Fiscal Year 1993 budget, which included a permanent 9% property tax shift from local governments to schools. This action reduced the City's Fiscal Year 1993 property tax revenues by \$11.2 million. On July 1, 1993, the State of California adopted its Fiscal Year 1994 budget and again reallocated \$12.4 million in property tax revenues to schools.

The County of San Diego defended 2,800 assessment appeal cases in Fiscal Year 1992 and an estimated 12,000 assessment appeal cases are projected in Fiscal Year 1993 and Fiscal Year 1994. The City's portion of the liability associated with the 12,000 appeal cases is estimated to be \$3 million, in which the City has fully reserved this amount from Fiscal Year 1993 revenues.

The vast majority of these cases will be reviewed, and if necessary, reduced under the auspices of Proposition 8. Proposition 8 allows for a temporary reduction in property tax assessments, if the market value falls below the assessed value. This is a temporary reduction in value which is then reviewed annually, and can be increased to the original assessed value (plus 2% CPI increase as required by Proposition 8) as market conditions improve. Most properties in San Diego County have assessed values well below their current market values. Normally, only recently purchased properties that have subsequently declined in value are likely candidates for this temporary reduction.

Tax Collections

Table 15 summarizes the City's secured tax collections over the past ten years.

Table 15
SECURED TAX LEVIES AND COLLECTIONS
1984 - 1993
(in thousands)

<u>Fiscal Year Ending June 30</u>	<u>Tax Levy</u>	<u>Current Year Collections</u>	<u>Current Year Collections as Percentage of Current Tax Levy</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percentage of Tax Levy</u>
1984	\$55,647	\$52,272	93.94%	\$55,009	98.85%
1985	62,204	58,952	94.77	62,192	99.98
1986	70,088	66,448	94.81	69,421	99.05
1987	79,236	74,838	94.45	78,110	98.58
1988	92,545	87,032	94.04	91,268	98.62
1989	102,539	97,895	95.47	101,852	99.33
1990	115,361	109,990	95.34	113,377	98.28
1991	125,823	116,952	92.95	120,510	95.78
1992	127,143	121,308	95.41	125,153	98.43
1993	120,574	114,821	95.23	119,867	99.41

Source: *City of San Diego Comprehensive Annual Financial Report for the year ended June 30, 1993*, "Statistical Section" (unaudited), page 153. City Auditor and Comptroller, 1993.

Table 16 indicates the ten largest property taxpayers in the City.

Table 16
PRINCIPAL TAXPAYERS IN CITY OF SAN DIEGO
June 30, 1993
(in thousands)

<u>Taxpayers</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation⁽¹⁾</u>	<u>Approximate Tax Paid</u>
General Dynamics	Aerospace	\$ 455,335	0.74%	\$ 5,087
Pardee Construction	Developer	207,967	0.34	2,812
Equitable Life Assurance	Investment	200,000	0.33	2,257
Pacific Landmark Hotel	Hotel	173,372	0.28	1,946
Sea World	Entertainment	171,877	0.28	1,930
Fashion Valley Venture	Shopping Center	126,135	0.21	1,417
Plaza at La Jolla Village	Shopping Center	130,135	0.21	1,365
San Diego Tower	Hotel/Office/Retail	128,810	0.21	1,353
H.G. Fenton Materials	Retail	54,210	0.09	1,347
Knightsbridge	Hotel/Office/Retail	112,893	0.18	1,210
		<u>\$1,760,734</u>	<u>2.87%</u>	

⁽¹⁾ Total Net Assessed Valuation of \$61,208,407,000.

Note: This table excludes public utilities, including San Diego Gas & Electric Company, Pacific Bell and American Telephone and Telegraph (AT&T), because valuations within the City of San Diego cannot be readily determined.

Source: County of San Diego Assessor's Office.

Limitations on Taxes and Appropriations

The pledge of the City to deposit certain moneys into the Payment Fund and the general obligation of the District (the boundaries of which are coterminous with the City) to cause the City to levy ad valorem taxes on all secured property in the District subject to taxation, without limitation as to rate or amount (except in the case of certain personal property, which is taxable at limited rates) for the payment of principal and interest on the Refunding Bonds are not subject to the limitations of Article XIII A and XIII B of the California Constitution discussed below.

Article XIII A of the California Constitution

Section 1(a) of Article XIII A of the California constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by each county and apportioned among the county and other public agencies and funds according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year or to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or reduced in the event of declining property values caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

In the June 1990 election, the voters of the State approved amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for a replacement dwelling purchase or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction" triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters of the State approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Court Challenges to Article XIII A

In early 1989, the United States Supreme Court struck down as a violation of equal protection certain property tax assessment practices in West Virginia which has resulted in vastly different assessments of similar properties. Since Article XIII A provides that property may only be reassessed up to 2% per year, except upon change of ownership or new construction, recent purchasers may pay substantially higher property taxes than long-time owners of comparable property in a community. The Supreme Court in the West Virginia case expressly declined to comment in any way on the constitutionality of Article XIII A. Based on this decision, however, property owners in California brought three suits challenging the acquisition value assessment provisions of Article XIII A. Two cases involved residential property, and one case involved commercial property. In all three cases, State trial and appellate courts upheld the constitutionality of Article XIII A's assessment rules and concluded that the West Virginia case did not apply to California's laws. On June 3, 1991 the United States Supreme Court agreed to hear the appeal in the challenge relating to commercial property, but the plaintiff subsequently decided to drop the case.

On June 18, 1992, the United States Supreme Court upheld the decision in *Nordlinger v. Hahn*, 225 Cal.App.3d 1259, one of the cases involving residential property decided by the State Court of Appeals. The 8 to 1 majority held that the Article XIII A assessment method serves a rational state interest by providing certainty regarding property taxes to homeowners and therefore does not violate provisions of the Equal Protection Clause codified in the 14th Amendment of the U.S. Constitution.

The City cannot predict whether future challenges to the State's present system of property tax assessment will be made, when the ultimate resolution of any challenge will occur or the ultimate effect any decision holding the State's present system of property tax assessment unconstitutional would have on the City's revenues. One possible outcome of a decision to invalidate Article XIII A would be a decrease in the amount of property tax revenues paid to the City.

Article XIII B of the California Constitution

Article XIII B of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The "base year" for establishing this appropriations limit is the 1978-79 fiscal year and the limit is adjusted annually to reflect changes in population, consumer prices and certain increases or decreases in the cost of services provided by these public agencies.

Appropriations of an entity of local government subject to Article XIII B generally include any authorizations to expend during a fiscal year the proceeds of taxes levied by or for the entity, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local government entity from (a) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (b) the investment of tax revenues. Article XIII B provides that if a

governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIII B does not limit the appropriation of money to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose.

In the June 1990 election, the voters of the State approved Proposition 111, which amended the method of calculating State and local appropriations limits. Proposition 111 made several changes to Article XIII B, three of which are reflected in the City's annual computation of its appropriation limit. First, the term "change in the cost of living" was redefined as the change in the California per capita personal income ("CPCPI") from the preceding year. Previously the lower of the CPCPI or the United States Consumer Price Index was used. Second, the appropriations limit for the fiscal year was recomputed by adjusting the 1986-1987 limit by the CPCPI for the three subsequent years. Third, Proposition 111 excluded appropriation for "all qualified capital outlay projects, as defined by the Legislature" from the definition of "appropriations subject to limitation."

Article XIII B allows voters to approve a temporary waiver of a government's Article XIII limit. Such a waiver is often referred to as a "Gann limit waiver." The length of any such waiver is limited to four years. In the November 1987 election, San Diego voters approved a four year increase in the City's Article XIII B limit (for fiscal years 1988 through 1991). In June 1990, San Diego voters approved another four year increase in the City's Article XIII B limit (for fiscal years 1992 through 1995). The Gann limit waiver does not provide any additional revenues to the City or allow the City to finance additional services. At the time of preparing the Fiscal Year 1993-94 Budget, the City calculated its appropriations limit at \$659,301,246. The 1992-93 Fiscal Year Budget adopted by the City included appropriations of \$344,316,951 which were subject to the limit. The impact of the appropriations limit on the City's financial needs in the future is unknown.

Both Article XIII A and XIII B were adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

Statutory Spending Limitations

A statutory initiative ("Proposition 62") was adopted by the voters of the State at the November 4, 1986 General Election which (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes of the sale of real property by local governmental entities and (f) requires that any tax imposed by a local governmental entity on or after March 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. Several recent decisions of State Courts of Appeal have held that all or portions of the provisions of Proposition 62 are unconstitutional and it is questionable whether Proposition 62 applies to chartered cities in any event.

The City cannot predict the outcome of the litigation concerning the validity of Proposition 62. If ultimately found valid and applicable to chartered cities, however, Proposition 62 could affect the ability of the City to continue the imposition of, or retain, certain taxes, such as sales and transient occupancy taxes, and further restrict the City's ability to raise revenue.

Labor Relations

Most City employees are represented by one of four labor organizations: The American Federation of State and County Municipal Employees (Local 127), which represents approximately 2,200 employees; The Municipal Employees Association ("MEA") and Unrepresented Employees, which total approximately 4,100 employees; The Police Officers Association ("POA"), which represents approximately 1,800 employees; and the International Association of Firefighters (Local 145), which represents approximately 900 employees. All four labor organizations have one year agreements that expire June 30, 1994. MEA and Local 127 are to receive a 1% salary increase on June 4, 1994, while POA will receive a 2% increase effective January 2, 1994 and Local 145 will receive a 1% salary increase effective June 4, 1994. Approximately 450 employees are unclassified and are not represented by bargaining units. These employees will receive a 1% salary increase effective June 4, 1994.

Pension Plan

All City full-time employees participate with the full-time employees of the San Diego Unified Port District in the City Employees' Retirement System ("CERS"). CERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City and the District. Through various benefit plans, CERS provides retirement benefits to all general and safety (police and fire) members.

The CERS plans are structured as defined benefit plans in which benefits are based on salary, length of service and age. City employees are required to contribute a percentage of their annual salary to CERS. State legislation requires the City to contribute to CERS at rates determined by actuarial valuations.

As of the City's last annual valuation dated March 13, 1993, the funding ratio of the CERS fund was 95.2%, up from the previous year's 94.6%.

Insurance, Claims and Litigation

The City is self-insured for its public liability claims exposure and its workers' compensation, long-term disability and employee group health coverage. Worker's compensation, long-term disability, and employee group health coverage are accounted for in the Self Insurance Fund, which is one of the Internal Service Funds. For workers' compensation, disability and health coverage, each participating fund contributes an amount equal to an actuarial determined rate multiplied by the gross salaries payable from that fund. The City also maintains within the Self Insurance Fund a reserve for public liability claims. The City maintains commercial property insurance on all City owned buildings of an insurable nature. The City currently carries property and extended loss insurance coverage of \$200 million per occurrence on all City buildings, with earthquake insurance on all bond-funded buildings. Depending on availability and affordability of such earthquake insurance, the City may elect not to purchase such coverage in the future.

The City of San Diego is a public agency which is subject to liability for the negligent acts or omissions of its officers and employees acting within the scope of their duty. The City has a self-insured liability of \$3 million. For liability between \$3 to \$22 million the City purchases insurance in layers, for its public liability exposure. This exposure is governed per California Government Code Section 900, et seq. The City has incurred annual claims payments as follows:

<u>Fiscal Year</u>	<u>Amount</u>
1992	\$8,536,931
1993	7,302,613
1994 (Budget)	5,700,000

In addition, the City has a self-insurance reserve of \$3.7 million as of June 30, 1993.

The City has no pending litigation nor is it aware of any threatened litigation challenging its political existence or contesting its ability to levy and collect *ad valorem* taxes.

Bonded and Other Indebtedness

City Debt Structure

The City has never failed to pay principal of or interest on any debt or lease obligation when due. In addition, the City has issued bonds or entered into installment purchase contracts secured by and payable out of loans and installment sale contracts, in order to provide conduit financing for single and multi-family housing, industrial development, and 501(c)(3) non-profit corporations. These bonds and certificates of participation are not secured by City general funds or revenues.

Long-Term Obligations

As of June 30, 1993, the City had \$26,040,000 aggregate principal amount of long-term general obligation bonded indebtedness outstanding. The City has never defaulted on bonded indebtedness for which it was the real obligor or on lease payment obligations incurred. The following table is a schedule, by years, of payments required by the City and its oversight entities with respect to future obligations, as of June 30, 1993.

Table 17
FUTURE OBLIGATIONS
(in thousands)

Fiscal Year Ending June 30	General Obligation Bonds	Special Assessment Bonds	Tax Allocation Bonds	Contracts Payable	Notes Payable	Capital Lease Obligations
1994	\$23,499	\$12,811	\$5,395	\$3,368	\$1,087	\$ 13
1995	22,858	12,879	5,391	2,518	1,089	13
1996	22,884	12,895	5,385	368	5,817	11
1997	23,110	12,849	5,385	368	3,655	0
1998	22,477	12,836	5,377	326	658	0
1999-2003	114,312	61,185	24,467	1,024	3,337	0
2004-2008	84,019	59,493	23,438	64	3,465	0
Thereafter	<u>26,933</u>	<u>75,690</u>	<u>4,675</u>	<u>64</u>	<u>58,206</u>	<u>0</u>
Sub-Total	\$340,092	\$260,638	\$79,513	\$8,100	\$77,314	\$ 37
Less amounts representing interest	<u>(133,737)</u>	<u>(131,781)</u>	<u>(28,558)</u>	<u>(1,387)</u>	<u>(4,135)</u>	<u>0</u>
Total	<u>\$206,355</u>	<u>\$128,857</u>	<u>\$50,955</u>	<u>\$6,712</u>	<u>\$73,179</u>	<u>\$ 37</u>

Source: City of San Diego Comprehensive Annual Financial Report for year ending June 30, 1993, page 18-26.

Prior-Years' Defeasance of Debt

In prior years, the City, the Redevelopment Agency of the City of San Diego and the Open Space Park Facilities District No. 1 defeased certain general obligation and other bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds, through the applicable redemption dates or maturity. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 1993, \$114,645,000 of such defeased bonds are still outstanding.

Short-Term Borrowings

The City has issued tax anticipation notes since fiscal year 1967-68 (except for fiscal year 1978-79) to cure periodic General Fund cash flow deficits. As a result of a tax law change that allowed funding of a working capital advance, the amount issued in fiscal years 1993 and 1994 increased substantially over prior years. The following table presents the past 10 year history of the City's temporary borrowings:

Table 18
TEMPORARY BORROWINGS
1985 - 1994
(in thousands)

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
1985	\$30,000
1986	36,000
1987	50,000
1988	5,000
1989	28,000
1990	40,000
1991	49,000
1992	57,000
1993	102,000
1994	100,500

Source: City of San Diego.

The City has entered into various lease arrangements under which the City must make annual payments to occupy public buildings or use equipment necessary for City operations. Securities have been issued which certificate these lease arrangements.

The following table is a schedule by years of future minimum rental payments required under operating leases entered into by the City that have initial or remaining noncancelable lease terms in excess of one year, as of June 30, 1993:

Table 19
FUTURE MINIMUM RENTAL PAYMENTS
(in thousands)

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
1994	\$8,269
1995	7,812
1996	7,197
1997	6,758
1998	6,560
Thereafter	<u>\$33,011</u>
Total minimum payments	<u>\$69,607</u>

Note: Rent expense as related to operating leases was approximately \$8,778,000 for the year ended June 30, 1993.

Source: *City of San Diego, Comprehensive Annual Financial Report for year ending June 30, 1993, page 18-30.*

Overlapping Debt and Debt Ratios

The City contains numerous school districts and special purpose districts, such as for water and sanitation, many of which have issued general obligation bonds. A statement of overlapping debt is presented below. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property taxation. Revenue bonds, tax allocation bonds, and special assessment bonds are not included in the tabulation; lease revenue obligations payable from the City General Fund or equivalent sources are included.

Table 20
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 1993
(in thousands)

<u>Jurisdiction</u>	<u>Debt Outstanding June 30, 1993</u>	<u>Percentage Applicable to City of San Diego</u>	<u>Amount Applicable to City of San Diego</u>
City of San Diego	\$ 26,040	100.000%	\$ 26,040 ⁽¹⁾
City of San Diego Certificates of Participation	46,735	100.000	46,735
City of San Diego 1915 Act Bonds	128,857	100.000	128,857
City of San Diego Redevelopment Agency	50,995	100.000	50,995
City of San Diego Stadium and Planetarium Authorities	18,855	100.000	18,855
City of San Diego Light Rail Transit Authority	28,460	100.000	28,460
Metropolitan Water District	664,205	7.831	52,014
Northern San Diego Hospital District	1,970	33.078	652
Poway Unified School District	11,845	77.604	9,192
San Diego Community College District	17,760	99.895	17,741
San Diego County Building Authorities	82,795	45.412	37,599
San Diego County General Fund Obligations	339,248	47.543	161,289
San Diego County Water Authority	453,753	49.335	223,859
San Diego Open Space Park Facilities District #1	66,885	100.000	66,885
San Diego Unified Port District	2,160	87.278	1,885
San Diego Unified School District	232,580	99.895	232,336
Other School and Community College Districts	28,206	various	279
Other Special Districts	8,677	various	461
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT			\$1,104,134⁽²⁾
<u>Less:</u>			
Bonds Paid by Water Revenue:			
Helix, Otay Mesa and Pomerado Water Districts			461
Metropolitan Water District			52,014
San Diego County Water Authority			223,859
City of San Diego Stadium and Planetarium Authorities (100% self-supporting)			18,855
San Diego Open Space Park Facilities District #1			66,885
San Diego Unified Port District (100% self-supporting)			1,885
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT			363,959
NET DIRECT AND OVERLAPPING BONDED DEBT			\$ 740,175
<u>1992-1993 Assessed Valuation (100% Of Full Value):</u>			
\$64,662,936 (including the redevelopment tax allocation increment of \$2,218,656)			
<u>Ratios to Assessed Valuation</u>			
City of San Diego Gross Direct Debt (\$142,625)			0.22%
City of San Diego Net Direct Debt (\$123,770)			0.19%
City of San Diego and Open Space District Gross Direct Debt (\$209,510)			0.32%
City of San Diego and Open Space District Net Direct Debt (\$123,770)			0.19%
TOTAL GROSS DEBT			1.71%
TOTAL NET DEBT			1.14%

⁽¹⁾ Excludes \$12,797,000 Revenue bonds.

⁽²⁾ Excludes revenue and tax allocation bonds.

Source: *City of San Diego, Comprehensive Annual Financial Report for year ending June 30, 1993 "Statistical Section" (Unaudited), page 154.*

Since June 30, 1993, (i) the City of San Diego has issued \$27,985,000 of Certificates of Participation for Balboa Park and Mission Bay projects in November 1993, (ii) the City of San

Diego/MTDB Authority issued \$19,515,000 of Lease Revenue Bonds in August 1993 for Old Town Light Rail Transit Extension and (iii) the City of San Diego/MTDB Authority issued \$66,670,000 of Lease Revenue Refunding Bonds in April 1994 to advance refund \$40,775,000 of the City of San Diego Refunding Certificates of Participation (Police Capital Improvement Projects) issued in 1986 and \$21,060,000 of the City of San Diego/MTDB Authority 1989 Lease Revenue Bonds (San Diego Bayside Light Rail Transit Extension), and (iv) the Public Facilities Financing Authority of the City of San Diego issued \$250,000,000 of Sewer Revenue Bonds in September 1993.

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APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Refunding Bonds Resolution (the "Resolution") and the City Ordinance relating to the Refunding Bonds. This summary does not purport to be comprehensive and reference should be made to such documents for full and complete statements of their provisions.

RESOLUTION DEFINITIONS

Bond

The term "Bond" means the Refunding Bonds, any unrefunded portions of the Prior Bonds and any obligations which refund any or all of the Refunding Bonds or any unrefunded portions of the Prior Bonds.

Bond Fund

The term "Bond Fund" means the Bond Fund established by the City Treasurer pursuant to Section 7.01 of Part 7 of the Master Resolution.

Business Day

The term "Business Day" means a day other than a Saturday or Sunday or a day on which banking institutions are authorized or required to be closed for commercial banking purposes in the State of California.

Charter

The term "Charter" means the Charter of the City.

City

The term "City" means the City of San Diego, California.

City Ordinance

The term "City Ordinance" means Ordinance Number 0-18043 adopted by the City on March 7, 1994, pursuant to which the City pledges certain moneys in the Environmental Growth Fund of the City created and maintained pursuant to Section 103.1a of the Charter to the payment of principal and interest on the Bonds as described in Section 10 of the Resolution.

City Treasurer

The term "City Treasurer" means the Treasurer of the City.

Clerk

The term "Clerk" means the Clerk of the City.

Code

The term "Code" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated or in effect thereunder.

Council

The term "Council" means the Council of the City.

District

The term "District" means San Diego Open Space Park Facilities District No. 1.

Environmental Growth Fund

The term "Environmental Growth Fund" means the fund of the City created and maintained pursuant to Section 103.1a of the Charter.

Facilities Law

The term "Facilities Law" means the Community Facilities Law of 1911 (commencing with Section 4600, Part 3, Division 5 of the Health and Safety Code), excepting Article 2a, subdivision (d) of Section 4616, the first sentence of Section 4618, the first sentence of Section 4623, Sections 4623.5 and 4625 and the last sentence of Section 4638 thereof.

Federal Securities

The term "Federal Securities" means direct obligations of, or obligations guaranteed by, the United States of America, in which the District may lawfully invest its money and which are not subject to redemption prior to maturity thereof.

Governing Body

The term "Governing Body" or "governing body" means the governing body of the District which, pursuant to the Procedural Ordinance and the Facilities Law, is the Council of the City.

Master Resolution

The term "Master Resolution" means Resolution No. 222446 adopted by the Council on December 18, 1978, authorizing the issuance by the District of \$65,000,000 aggregate principal amount of District bonds, in one or more series.

1979 Bonds

The term "1979 Bonds" means the \$15,000,000 original aggregate principal amount of San Diego Open Space Park Facilities District No. 1 Open Space Park Bonds of 1978, Series 79A.

1986 Bonds

The term "1986 Bonds" means the \$32,790,000 original aggregate principal amount of San Diego Open Space Park Facilities District No. 1 Open Space Park Refunding Bonds of 1986.

1986A Bonds

The term "1986A Bonds" means the \$20,000,000 original aggregate principal amount of San Diego Open Space Park Facilities District No. 1 Open Space Park Bonds of 1978, Series 86A.

Outstanding

The term "Outstanding" when used as of any particular time with reference to the Refunding Bonds means all the Refunding Bonds theretofore issued and delivered by the District under the Resolution except:

(a) Refunding Bonds theretofore cancelled by the Paying Agent or surrendered to the Paying Agent for cancellation;

(b) Refunding Bonds for the payment or redemption of which money or securities in the necessary amount shall have been theretofore deposited with the Paying Agent (whether upon or prior to the maturity or the redemption date of such Refunding Bonds),

provided that, if such Refunding Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Paying Agent shall have been made for the giving of such notice; and

(c) Refunding Bonds in lieu of, or in substitution for, which other Refunding Bonds shall have been issued and delivered pursuant to the terms of the Resolution.

Paying Agent

The term "Paying Agent" means the Paying Agent appointed by the City Treasurer, for and on behalf of the District, as paying agent, registrar and transfer agent for the Refunding Bonds, or any successor thereto.

Principal Corporate Trust Office

The term "Principal Corporate Trust Office" means the principal corporate trust office of the Paying Agent in Los Angeles, California, as designated in writing by the Paying Agent.

Prior Bonds

The term "Prior Bonds" means the 1979 Bonds, the 1986A Bonds and the 1986 Bonds of the District issued in the respective original aggregate principal amounts of \$15,000,000, \$20,000,000 and \$32,790,000 pursuant to the terms of the Prior Resolutions.

Prior Resolutions

The term "Prior Resolutions" means with respect to the 1979 Bonds, Resolution No. 222447 adopted by the Council on December 18, 1978; with respect to the 1986A Bonds, Resolution No. 265809 adopted by the Council on May 27, 1986; and, with respect to the 1986 Bonds, Resolution 265810 adopted by the Council on May 27, 1986.

Procedural Ordinance

The term "Procedural Ordinance" means Ordinance No. 12027 adopted by the Council on February 23, 1977.

Rebate Fund

The term "Rebate Fund" means the Rebate Fund established pursuant to Section 16 of the Resolution.

Rebate Requirement

The term "Rebate Requirement" means the Rebate Requirement as defined in the Tax Certificate.

Record Date

The term "Record Date" means the fifteenth day of the month immediately preceding an interest payment date, whether or not such day is a Business Day.

Redemption Fund

The term "Redemption Fund" means the San Diego Open Space Park Facilities District No. 1 General Obligation Bond Refunding Series 1994 Redemption Fund established pursuant to Section 4 of the Resolution.

Refunded Bonds

The term "Refunded Bonds" means the specified amount of Prior Bonds to be refunded with the proceeds of the Refunding Bonds.

Refunding Bond Owner or owner

The term "Refunding Bond Owner" or "owner" means the registered owner of an Outstanding Refunding Bond.

Refunding Bonds

The term "Refunding Bonds" means San Diego Open Space Park Facilities District No. 1 General Obligation Bonds Refunding Series 1994 issued in the original principal amount not to exceed \$65,000,000 pursuant to the terms of the Resolution.

Resolution

The term "Resolution" means Resolution Number R-283434 as adopted by the Governing Body of the District on February 22, 1994, authorizing the issuance and sale of the Refunding Bonds.

Tax Certificate

The term "Tax Certificate" means the tax certificate and agreement executed by the District at the time of issuance and delivery of the Refunding Bonds, relating to the requirements of Section 148 of the Internal Revenue Code of 1986, as amended, as such certificate may be amended or supplemented.

Underwriter

The term "Underwriter" means the original purchaser or purchasers of the Refunding Bonds.

THE RESOLUTION

The Council of the City, as the Governing Body of the District, authorizes in the Resolution the sale and issuance of not to exceed \$65,000,000 in principal amount of San Diego Open Space Park Facilities District No. 1 General Obligation Bonds Refunding Series 1994 pursuant to the terms of Section 61.2004 of the Procedural Ordinance and the Facilities Law.

Payment of Principal and Interest on the Refunding Bonds

The principal of the Refunding Bonds shall be payable in lawful money of the United States of America to the registered owner thereof, upon the surrender thereof at the Principal Corporate Trust Office of the Paying Agent. The interest on the Refunding Bonds shall be payable in like lawful money to the person whose name appears on the bond registration books of the Paying Agent as the owner thereof as of the Record Date for such interest payment date.

Each Refunding Bond shall bear interest from the interest payment date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the Record Date next preceding an interest payment date to such interest payment date, inclusive, in which event it shall bear interest from such interest payment date, or unless it is authenticated on or before July 1, 1994, in which event it shall bear interest from May 15, 1994; provided, however, that if, at the time of authentication of any Refunding Bond, interest is in default on Outstanding Refunding Bonds, such Refunding Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment

on the Outstanding Refunding Bonds. Payment of the interest on any Refunding Bond shall be made to the person appearing on the bond registration books of the Paying Agent as the owner thereof as of the Record Date for such interest payment date, such interest to be paid by check or draft mailed to such owner at such owner's address as it appears on such registration books or at such address as the owner may have filed with the Paying Agent for that purpose.

Redemption

The Refunding Bonds maturing on or before January 1, 2004, are not subject to redemption prior to their respective stated maturities. The Refunding Bonds maturing on or after January 1, 2005, are subject to optional redemption prior to their respective stated maturities as described in the section of this Official Statement entitled "THE REFUNDING BONDS - Redemption."

Application of Proceeds of the Refunding Bonds

The proceeds, including accrued interest, of the sale of the Refunding Bond shall be deposited simultaneously with the delivery of the Refunding Bonds and applied as described in the section of this Official Statement entitled "THE REFUNDING BONDS - Estimated Sources and Uses of Proceeds."

Paying Agent

The City Treasurer, for and on behalf of the District, is authorized and directed in the Resolution to appoint a bank or trust company doing business and having an office in Los Angeles, California, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority, Paying Agent for the purpose of receiving all moneys which the District and the City are required to deposit with the Paying Agent under the Resolution, and to allocate, use and apply the same as provided in the Resolution.

The District may remove the Paying Agent initially appointed, by giving written notice to such Paying Agent and by causing written notice thereof to be mailed to each owner, and shall appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company doing business and having an office in Los Angeles or San Francisco, California, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent may at any time resign by giving written notice to the governing body of the District and by giving the owners notice by mail of such resignation.

Upon receiving such notice of resignation, the City Treasurer, acting on behalf of the District, shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent. If no successor Paying Agent shall have been appointed and have accepted appointment within forty-five days of giving notice of removal or notice of resignation as aforesaid, the resigning Paying Agent or any owner (on behalf of himself and all other owners) may petition any court of competent jurisdiction for the appointment of a successor Paying Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Paying Agent.

Registration and Transfer

The Paying Agent will keep at the Principal Corporate Trust Office of the Paying Agent sufficient books for the registration and transfer of the Refunding Bonds. Such records shall at all times during regular business hours be open to inspection by the District.

Exchange of Refunding Bonds

A Refunding Bond may be exchanged at the Principal Corporate Trust Office of the Paying Agent, for a like aggregate principal amount of Refunding Bonds of other authorized denominations of the same maturity. The Paying Agent shall require the payment by the Refunding Bond owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchange of Refunding Bonds shall be required to be made by the Paying Agent during the period from the Record Date next preceding each interest payment date to such interest payment date.

Lost, Stolen, Mutilated or Destroyed Refunding Bonds

In case any Refunding Bonds shall become mutilated or be destroyed, stolen or lost, the Paying Agent shall issue new Refunding Bonds of like principal amount and maturity as the Refunding Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Refunding Bonds, upon surrender and cancellation of such mutilated Refunding Bonds or in lieu of and substitution for the Refunding Bonds destroyed, stolen or lost, upon the filing with the Paying Agent of evidencing satisfactory to the Paying Agent that such Refunding Bonds have been destroyed, stolen or lost, and proof of ownership thereof, and upon furnishing the Paying Agent with indemnity satisfactory to the Paying Agent and complying with such other reasonable regulations as the Paying Agent may prescribe and paying such expenses as the Paying Agent may incur. All Refunding Bonds so surrendered shall be cancelled by the Paying Agent. Any such new Refunding Bonds issued pursuant to these provisions in substitution for the Refunding Bonds alleged to be destroyed, stolen or lost, shall constitute original additional contractual obligations on the part of the District, whether or not the Refunding Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally

secured by and entitled to equal and proportionate benefits with all other Refunding Bonds issued under the Resolution, in any moneys or securities held by the City Treasurer or any Paying Agent for the benefit of the Refunding Bond Owners.

Books and Records

In the Resolution, the District covenants to keep, or cause to be kept, at all times proper and current books, records and accounts regarding the Refunding Bonds. Furthermore, such records are required to be made available for inspection upon reasonable request by the Paying Agent or the Refunding Bond Owners.

Amendments

Subject to Section 2.19 of the Master Resolution, the Resolution may be modified or amended without the consent of the Refunding Bond owners in order to (i) cure any ambiguity or formal defect or omission in the Resolution; (ii) grant to or confer upon the Refunding Bond owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon them; or (iii) amend or supplement the Resolution in any other respect, provided that such amendment or supplement is not materially adverse to the interests of the Refunding Bond owners. For any other purpose, the Resolution may be modified or amended only with the consent of the owners of at least sixty (60) percent of all Refunding Bonds then Outstanding; provided, however, that no such modification or amendment shall extend the maturity of or the times for paying interest thereon, reduce the interest rate on or principal amount of any Refunding Bond, advance the earliest redemption date, reduce the premium payable upon redemption thereof, change the monetary medium in which principal and interest is payable or reduce the percentage of consent required for amendment of the Resolution without the express consent of all the owners of Refunding Bonds so affected.

Benefit of Resolutions

The provisions of the Resolution and of any other resolution supplementing or amending the Resolution and adopted prior to the issuance of the Refunding Bonds or adopted subsequent to such issuance if permitted shall constitute a contract between the District and the Refunding Bond owners and, shall be enforceable for the equal benefit and protection of all owners of Refunding Bonds similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State of California in any court of competent jurisdiction. Said contract is made under and is to be construed in accordance with the laws of the State of California.

After the issuance and delivery of the Refunding Bonds, the Resolution and any amendatory or supplemental resolutions thereto shall be irrevocable, but shall be subject to supplement, modification or amendment to the extent and in the manner provided in the Resolution and the Master Resolution, but to no greater extent and in no other manner.

Defeasance

The Refunding Bonds will not be deemed to be Outstanding and unpaid if the District makes adequate provision for the payment, in accordance with the Refunding Bonds and the Resolution, of the principal, interest and premiums, if any, to become due thereon at maturity or upon call and redemption prior to maturity and the District has given to the Paying Agent irrevocable instructions (a) to mail notice of redemption of Refunding Bonds on the redemption date if any of the Refunding Bonds are to be redeemed prior to maturity, and (b) if any of the Refunding Bonds are not to be redeemed within the succeeding sixty (60) days, to promptly mail to the owners of such Refunding Bonds a notice that a deposit contemplated by these provisions has been made with the Paying Agent and that such Refunding Bonds are deemed to have been paid in accordance with these provisions, and stating the maturity date or redemption date upon which money is to be available for the payment of principal of and redemption premiums, if any, upon such Refunding Bonds. Such provision for payment shall be deemed to be adequate if the District shall have irrevocably set aside, in a special trust fund or account held by the Paying Agent, moneys in an amount sufficient, and/or Federal Securities the interest and principal of which, if paid on the scheduled payment dates, will provide an amount sufficient, to pay when due the principal of, premium, if any, and interest on the Refunding Bonds on and prior to the redemption date or maturity date, as the case may be.

Consent of Owners

Any request, consent or other instrument required by the Resolution to be signed and executed by owners of Refunding Bonds may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such owners in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent shall be sufficient for any purpose of the Resolution and shall be conclusive in favor of the District if made in the manner provided below.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged the execution thereof.

The ownership of Refunding Bonds shall be provided by the Register of such Refunding Bonds.

Any request, consent or vote of the owner of any Refunding Bond shall bind every future owner of the same Refunding Bond and the owner of every Refunding Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the District in pursuance of such request, consent or vote.

In determining whether the owners of the requisite aggregate principal amount of Refunding Bonds have concurred in any demand, request, direction, consent or waiver under the Resolution, Refunding Bonds which are owned by the District, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

Investment Earnings

Any interest, profit or loss on the investment of moneys in the Bond Fund shall be credited or charged to that Fund. To the extent required by the Tax Certificate, in order to comply with the Resolution, interest and profits in the Bond Fund shall be transferred to the Rebate Fund at the times and in the amounts as required by the Tax Certificate for payment to the United States. To the extent not so transferred, such interest and profits attributable to the Bonds may remain in the Bond Fund as the case may be, or to the extent permitted by law, may be transferred therefrom to the Environmental Growth Fund and used for any lawful purpose.

CITY ORDINANCE

The defined terms used below have the same meanings assigned to said terms in "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - RESOLUTION DEFINITIONS" of this Appendix B.

Pursuant to Section 103.1a of the Charter, the Environmental Growth Fund has been established in the City Treasury for the purpose of preserving and enhancing the environment of the City. Section 103.1a of the Charter provides that two-thirds of the moneys paid into said fund shall be used for debt service with respect to City bonds of any nature issued for the acquisition, improvement and maintenance of open space to be used for park or recreational purposes within the City. The City has not issued bonds of any nature the proceeds of which have been applied in accordance with said section of the Charter.

In addition, Section 103.1a of the Charter provides that if there are no such City bonds outstanding or if two-thirds of the moneys paid into the Environmental Growth Fund exceed the amount necessary to service any outstanding bonds issued for the purposes described in the preceding paragraph in any fiscal year, then the moneys set aside for debt service with respect to any City bonds or that portion of moneys on deposit in the Environmental Growth Fund which is not needed for debt service on said bonds shall be used exclusively for the purpose of preserving and enhancing the environment of the City in whatever manner is deemed appropriate by the Council. As described elsewhere in this Official Statement, the District, the boundaries of which are coterminous with the exterior boundaries of the City, currently has outstanding the Prior Bonds. The Council has, in the City Ordinance, determined that the proceeds of the Prior Bonds have been applied to the preservation and enhancement of the environment of the City within the meaning and in accordance with said Charter provision. As also described elsewhere in this Official Statement, the District is issuing the Refunding Bonds

in order to partially refund the Prior Bonds. Pursuant to the City Ordinance, the City has pledged a portion of its Environmental Growth Fund to the payment of the principal of and interest on the Refunding Bonds as well as the unrefunded portions of the Prior Bonds, and any bonds which may refund the Refunding Bonds and such Prior Bonds, in the manner and to the extent described in the section of this Official Statement entitled "**THE REFUNDING BONDS - Source of Payment for the Refunding Bonds.**" In passing the City Ordinance, the Council found and determined that said pledge is consistent with the intent and purpose of the last sentence of Section 103.1a of the Charter. For information concerning the Environmental Growth Fund generally, refer to the section of this Official Statement entitled "**THE ENVIRONMENTAL GROWTH FUND.**"

APPENDIX C

**EXCERPTS FROM THE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
(YEAR ENDED JUNE 30, 1993)**

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CALDERON, JAHAM & OSBORN

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES

IN

SAN DIEGO

EL CENTRO

BRAWLEY

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Members of the
City Council and City Manager of the
City of San Diego, California:

We have audited the accompanying general purpose financial statements and the combining and individual fund and account group financial statements and schedules of the City of San Diego, California, as of June 30, 1993, and for the year then ended as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the City of San Diego, California management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

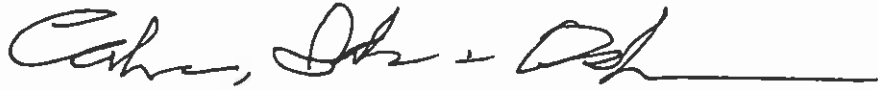
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of San Diego, California, as of June 30, 1993, and the results of its operations and cash flows of its proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of San Diego, California, as of June 30, 1993, and the results of operations of such funds and its cash flows of the individual proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles.

CALDERON, JAHAM & OSBORN

The scope of our audit did not include the statistical section listed in the foregoing table of contents. Such information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on it.

November 3, 1993

A handwritten signature in cursive script, likely representing the firm Calderon, Jaham & Osborn, followed by a horizontal line.

GENERAL PURPOSE FINANCIAL STATEMENTS

IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD, THE FOLLOWING COMBINED STATEMENTS ARE PRESENTED:

Combined Balance Sheet - All Fund Types and Account Groups.

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds.

Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - Budgeted Governmental Fund Types.

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances - All Proprietary Fund Types and Similar Trust Funds.

Combined Statement of Cash Flows - Increase (Decrease) in Cash and Cash Equivalents - All Proprietary Fund Types and Nonexpendable Trust Fund.

Notes to Financial Statements.

Required Supplementary Information - Pension Trust Funds Analysis of Funding Progress.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS June 30, 1993 With Comparative Figures for June 30, 1992 (In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash or Equity in Pooled				
Cash and Investments	\$ 21,450	\$ 124,063	\$ 7,245	\$ 219,119
Cash With Custodian/Fiscal Agent	0	1,559	3,597	0
Investments at Cost	0	16,895	36,595	21,370
Receivables:				
Taxes - Net	15,366	1,033	110	0
Accounts - Net	16,076	3,334	0	0
Claims - Net	5	0	0	0
Special Assessments - Net	0	1,283	5,886	0
Notes	0	24,113	0	3,751
Contributions	0	0	0	0
Accrued Interest	2,277	1,375	110	1,867
Grants	0	6,092	0	4,520
Loans to Redevelopment Agency	0	453	0	0
From Other Funds	35,534	472	0	0
From Other Agencies	70	38,507	0	0
Advances to Other Funds	21,869	1,289	0	482
Advances to Other Agencies	350	344	0	0
Inventories of Water in Storage	0	0	0	0
Inventories	0	0	0	0
Land Held for Resale	0	1,271	0	18,841
Prepaid and Reimbursable Items and Deposits	784	380	1,808	0
Restricted Assets:				
Cash or Equity in Pooled Cash and Investments -				
Interest and Redemption Funds	0	1,991	0	0
Cash with Custodian/Fiscal Agent	0	0	0	0
Fixed Assets - Net	0	0	0	0
Amount Available for Payment of				
General Long-Term Debt	0	0	0	0
Amount to be Provided for Retirement				
of Long-Term Debt	0	0	0	0
TOTAL ASSETS AND OTHER DEBITS	\$ 113,781	\$ 224,454	\$ 55,351	\$ 269,950

The accompanying notes are an integral part of the financial statements.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1993	1992
\$ 425,578	\$ 45,503	\$ 277,986	\$ 0	\$ 0	\$ 1,120,944	\$ 1,099,572
16	0	308	0	0	5,480	4,700
3,927	0	1,139,107	0	0	1,217,894	1,258,990
0	0	0	0	0	16,509	19,500
51,840	90	1,348	0	0	72,688	64,703
0	0	0	0	0	5	270
14	0	0	0	0	7,183	4,792
5	0	0	0	0	27,869	24,595
0	0	2,374	0	0	2,374	1,806
3,942	41	10,057	0	0	19,669	19,842
17,409	0	0	0	0	28,021	20,458
0	0	0	0	0	453	409
1,500	0	0	0	0	37,506	2,043
0	0	0	0	0	38,577	35,879
18,837	265	7	0	0	42,749	42,814
0	0	0	0	0	694	974
16,641	0	0	0	0	16,641	19,580
222	2,892	0	0	0	3,114	3,438
0	0	0	0	0	20,112	16,162
836	214	177	0	0	4,199	2,707
9,711	0	0	0	0	11,702	9,203
103	0	0	0	0	103	103
1,319,702	25,768	0	818,901	0	2,164,371	1,924,973
0	0	0	0	77,126	77,126	73,593
0	0	0	0	446,806	446,806	453,588
\$ 1,870,283	\$ 74,773	\$ 1,431,364	\$ 818,901	\$ 523,932	\$ 5,382,789	\$ 5,104,694

Continued on next page

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1993
With Comparative Figures for June 30, 1992
(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES				
Obligations Under Reverse				
Repurchase Agreements	\$ 1,349	\$ 21,586	\$ 975	\$ 20,583
Accounts Payable	2,606	5,240	124	750
Accrued Wages and Benefits	16,794	1,327	0	0
Other Accrued Liabilities	0	27,560	0	0
Employees' Deferred Compensation				
/401(k) Plans	0	0	0	0
Liability Claims	0	0	0	0
Matured Bonds, Notes and Interest Payable	0	0	177	0
Interest Accrued on Long-Term Debt	0	0	0	0
Long-Term Debt Due Within One Year	0	0	0	0
Due to Other Funds	0	506	0	0
Due to Other Agencies	0	5,508	0	0
Deferred Revenue	18,766	28,930	5,922	44,664
Advances from Other Funds	0	1,249	7	58
Advances from Other Agencies	0	103	0	0
Deposits/Advances from Others	0	4,806	0	0
Sundry Trust Liabilities	0	0	0	548
Capital Lease Obligations	0	0	0	0
Contracts and Notes Payable	35,500	0	0	0
General and Special Obligation Bonds				
Payable	0	0	0	0
Revenue Bonds Payable - Net of Current Portion	0	0	0	0
TOTAL LIABILITIES	75,015	96,815	7,205	66,603
FUND EQUITY AND OTHER CREDITS				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings (Deficit):				
Reserved for Claims and Contingencies	0	0	0	0
Reserved for General Long-Term Claims	0	0	0	0
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Land Held for Resale	0	1,271	0	18,841
Reserved for Encumbrances	7,313	14,477	0	31,580
Reserved for Advances and Deposits	22,219	1,211	0	0
Reserved for Nonexpendable Trust	0	0	0	0
Reserved for Pension Benefits	0	0	0	0
Reserved for Debt Service	0	28,980	48,146	0
Reserved for Loan Commitments	0	11,292	0	0
Reserved for Project Equity/Operations	0	4,090	0	0
Unreserved:				
Designated for Subsequent Years'				
Expenditures	3,211	26,630	0	99,251
Undesignated	6,023	39,688	0	53,675
TOTAL FUND EQUITY AND OTHER CREDITS	38,766	127,639	48,146	203,347
TOTAL LIABILITIES AND FUND EQUITY AND OTHER CREDITS	\$ 113,781	\$ 224,454	\$ 55,351	\$ 269,950

The accompanying notes are an integral part of the financial statements.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1993	1992
\$ 43,632	\$ 3,769	\$ 15,061	\$ 0	\$ 0	\$ 106,955	\$ 111,834
24,503	2,589	3,965	0	0	39,777	171,341
12,427	4,256	121	0	36,337	71,262	65,055
696	0	0	0	0	28,256	24,148
0	0	61,576	0	0	61,576	52,989
1,004	27,530	0	0	21,500	50,034	64,886
103	0	0	0	0	280	265
232	0	0	0	0	232	285
4,687	0	0	0	0	4,687	4,914
1,500	0	35,500	0	0	37,506	2,043
0	0	1,810	0	0	7,318	6,671
30,836	198	413	0	0	129,729	105,002
0	40,655	780	0	0	42,749	42,814
0	0	0	0	0	103	273
1,600	0	8,062	0	0	14,468	15,918
0	0	6,298	0	0	6,846	5,839
0	0	0	0	37	37	77
7,471	0	0	0	79,891	122,862	82,552
0	0	0	0	386,167	386,167	385,600
10,387	0	0	0	0	10,387	12,789
139,078	78,997	133,586	0	523,932	1,121,231	1,155,295
0	0	0	818,901	0	818,901	765,283
981,993	226	0	0	0	982,219	895,377
0	2,754	0	0	0	2,754	1,637
0	-24,722	0	0	0	-24,722	-25,777
749,212	17,518	0	0	0	766,730	676,697
0	0	0	0	0	20,112	16,162
0	0	1,037	0	0	54,407	73,423
0	0	0	0	0	23,430	25,587
0	0	4,355	0	0	4,355	4,051
0	0	1,290,471	0	0	1,290,471	1,173,424
0	0	0	0	0	77,126	73,593
0	0	0	0	0	11,292	4,396
0	0	0	0	0	4,090	8,238
0	0	287	0	0	129,379	145,912
0	0	1,628	0	0	101,014	111,396
1,731,205	-4,224	1,297,778	818,901	0	4,261,558	3,949,399
\$ 1,870,283	\$ 74,773	\$ 1,431,364	\$ 818,901	\$ 523,932	\$ 5,382,789	\$ 5,104,694

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS Year Ended June 30, 1993 With Comparative Figures for the Year Ended June 30, 1992 (In Thousands)

	----- General -----
REVENUES	
Property Taxes and Special Assessments	\$ 121,314
Other Local Taxes	144,323
Licenses and Permits	19,909
Fines, Forfeitures and Penalties	13,951
Revenue from Use of Money and Property	23,994
Revenue from Federal Agencies	277
Revenue from Other Agencies	41,407
Revenue from Private Sources	0
Charges for Current Services	52,628
Other Revenue	2,157
TOTAL REVENUES	----- 419,960 -----
EXPENDITURES	
Current:	
General Government	71,202
Public Safety	231,348
Libraries	15,277
Parks, Recreation and Culture	40,248
General Services	57,375
Engineering and Development	22,664
Housing and Community Development	0
Public Transportation	0
Employment and Social Service Programs	463
Miscellaneous and Unallocated	2,305
Capital Projects	0
Debt Service:	
Principal Retirement	0
Interest	0
TOTAL EXPENDITURES	----- 440,882 -----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-20,922 -----
OTHER FINANCING SOURCES (USES)	
Long-Term Debt Proceeds	0
Transfers from Proprietary/Fiduciary Funds	1,073
Transfers from Other Funds	34,222
Transfers to Escrow Agent	0
Transfers to Proprietary Funds	-8,399
Transfers to Other Funds	-4,525
Cost of Issuance, Bonds and Notes	0
TOTAL OTHER FINANCING SOURCES (USES)	----- 22,371 -----
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,449
Fund Balances at Beginning of Year	36,817
Residual Equity Transfers from (to) Other Funds	500
FUND BALANCES AT END OF YEAR	\$ 38,766 =====

The accompanying notes are an integral part of the financial statements.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum only)	
Special Revenue	Debt Service	Capital Projects	Expendable Trust	1993	1992
\$ 19,612	\$ 19,968	\$ 4,542	\$ 0	\$ 165,436	\$ 172,029
66,458	0	8,585	0	219,366	208,374
3,098	0	1,501	0	24,508	24,129
2,280	0	0	0	16,231	16,618
39,539	2,512	10,190	1,192	77,427	85,492
78,468	0	3,934	0	82,679	83,987
9,999	0	4,946	0	56,352	50,466
7,164	0	10,368	1,017	18,549	26,523
8,869	0	0	8	61,505	61,632
5,895	1	2,049	0	10,102	8,938
241,382	22,481	46,115	2,217	732,155	738,188
7,900	939	2,966	508	83,515	80,978
10,454	0	0	0	241,802	237,181
1,380	0	0	26	16,683	17,166
45,350	0	18	1,194	86,810	94,566
14,430	0	12	0	71,817	73,203
7,449	0	-142	0	29,971	31,718
92,780	0	2	0	92,782	88,654
1,989	0	82	3	2,074	2,836
4,718	0	0	0	5,181	4,566
0	0	0	3	2,308	10,193
14,273	0	87,264	241	101,778	138,478
0	12,942	0	0	12,942	17,345
0	26,080	0	0	26,080	27,018
200,723	39,961	90,202	1,975	773,743	823,902
40,659	-17,480	-44,087	242	-41,588	-85,714
0	38,418	15,512	0	53,930	66,857
0	0	0	0	1,073	821
35,226	19,336	9,792	69	98,645	107,618
0	-41,364	0	0	-41,364	0
-480	0	0	0	-8,879	-167
-77,051	-198	-16,868	-3	-98,645	-107,618
0	-1182	-475	0	-1,657	-284
-42,305	15,010	7,961	66	3,103	67,227
-1,646	-2,470	-36,126	308	-38,485	-18,487
129,285	50,616	239,473	1,765	457,956	476,443
0	0	0	0	500	0
\$ 127,639	\$ 48,146	\$ 203,347	\$ 2,073	\$ 419,971	\$ 457,956

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED GOVERNMENTAL FUND TYPES Year Ended June 30, 1993 (In Thousands)

	General Fund	
	Actual on Budgetary Basis	Budget
REVENUES		
Property Taxes and Special Assessments	\$ 121,314	\$ 134,252
Other Local Taxes	144,323	143,200
Licenses and Permits	19,909	22,827
Fines, Forfeitures and Penalties	13,951	15,239
Revenue from Use of Money and Property	23,423	25,095
Revenue from Federal Agencies	277	63
Revenue from Other Agencies	41,407	42,969
Revenue from Private Sources	0	0
Charges for Current Services	52,628	58,414
Other Revenue	2,157	4,286
Excess Revenue Appropriated	0	0
TOTAL REVENUES	419,389	446,345
EXPENDITURES		
Current:		
General Government	71,860	81,359
Public Safety	234,320	239,732
Libraries	15,596	17,015
Parks, Recreation and Culture	41,870	47,108
General Services	60,792	63,095
Engineering and Development	22,799	25,296
Housing and Community Development	0	0
Public Transportation	0	0
Employment and Social Service Programs	464	594
Miscellaneous and Unallocated	2,359	4,379
Capital Projects	0	0
Debt Service:		
Principal Retirement	0	0
Interest	0	0
TOTAL EXPENDITURES	450,060	478,578
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-30,671	-32,233
OTHER FINANCING SOURCES (USES)		
Transfers from Proprietary/Fiduciary Funds	6,067	2,222
Transfers from Other Funds	34,222	34,306
Transfers to Proprietary Funds	-8,399	-8,399
Transfers to Other Funds	-4,525	-4,525
TOTAL OTHER FINANCING SOURCES (USES)	27,365	23,604
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-3,306	-8,629
Fund Balances Undesignated at July 1, 1992	2,517	2,517
Residual Equity Transfers from (to) Other Funds	500	500
Reserved for Encumbrances at July 1, 1992	6,101	6,101
Reserved for Debt Service at July 1, 1992	0	0
Reserved for Debt Service at June 30, 1993	0	0
Designated for Subsequent Years' Expenditures at July 1, 1992	3,422	3,422
Designated for Subsequent Years' Expenditures at June 30, 1993	-3,211	0
FUND BALANCES UNDESIGNATED AT JUNE 30, 1993	\$ 6,023	\$ 3,911

The accompanying notes are an integral part of the financial statements.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

Budgeted Special Revenue Funds		Budgeted Debt Service Funds		Budgeted Capital Projects Funds		Total (Memorandum Only)		Variance Favorable (Unfavorable)
Actual on Budgetary Basis	Budget	Actual on Budgetary Basis	Budget	Actual on Budgetary Basis	Budget	Actual on Budgetary Basis	Budget	
\$ 7,486	\$ 7,927	\$ 3,056	\$ 3,056	\$ 0	\$ 0	\$ 131,856	\$ 145,235	\$ -13,379
66,302	69,256	0	0	915	915	211,540	213,371	-1,831
544	554	0	0	0	0	20,453	23,381	-2,928
0	0	0	0	0	0	13,951	15,239	-1,288
23,349	22,668	138	88	117	0	47,027	47,851	-824
0	0	0	0	2,220	665	2,497	728	1,769
6,132	6,782	0	0	4,716	5,955	52,255	55,706	-3,451
9	0	0	0	0	0	9	0	9
2,167	2,045	0	0	0	0	54,795	60,459	-5,664
641	662	0	0	1,781	556	4,579	5,504	-925
0	1,487	0	0	0	0	0	1,487	-1,487
106,630	111,381	3,194	3,144	9,749	8,091	538,962	568,961	-29,999
294	333	0	0	7	94	72,161	81,786	9,625
6,813	10,248	0	0	0	0	241,133	249,980	8,847
0	0	0	0	0	0	15,596	17,015	1,419
47,737	52,188	0	0	0	0	89,607	99,296	9,689
18,022	26,250	0	0	0	0	78,814	89,345	10,531
1,401	1,604	0	0	-254	161	23,946	27,061	3,115
4,230	4,646	0	0	0	0	4,230	4,646	416
8	57	0	0	0	0	8	57	49
0	0	0	0	0	0	464	594	130
0	203	0	0	0	0	2,359	4,582	2,223
3,063	14,577	0	0	25,404	38,304	28,467	52,881	24,414
0	0	1,675	1,675	0	0	1,675	1,675	0
0	0	2,379	2,887	0	0	2,379	2,887	508
81,568	110,106	4,054	4,562	25,157	38,559	560,839	631,805	70,966
25,062	1,275	-860	-1,418	-15,408	-30,468	-21,877	-62,844	40,967
0	0	0	0	0	0	6,067	2,222	3,845
13,307	18,123	1,169	1,069	864	950	49,562	54,448	-4,886
0	0	0	0	0	0	-8,399	-8,399	0
-49,088	-54,714	0	0	-5,442	-2,850	-59,055	-62,089	3,034
-35,781	-36,591	1,169	1,069	-4,578	-1,900	-11,825	-13,818	1,993
-10,719	-35,316	309	-349	-19,986	-32,368	-33,702	-76,662	42,960
15,179	15,179	0	0	6,817	6,817	24,513	24,513	0
0	0	0	0	0	0	500	500	0
18,618	18,618	0	0	8,942	8,942	33,661	33,661	0
0	0	2,420	2,420	0	0	2,420	2,420	0
0	0	-2,729	-2,071	0	0	-2,729	-2,071	-658
12,271	12,271	0	0	19,354	19,354	35,047	35,047	0
-13,584	-884	0	0	-10,925	0	-27,720	-884	-26,836
\$ 21,765	\$ 9,868	\$ 0	\$ 0	\$ 4,202	\$ 2,745	\$ 31,990	\$ 16,524	\$ 15,466

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS Year Ended June 30, 1993 With Comparative Figures for June 30, 1992 (In Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
OPERATING REVENUES		
Earnings on Investments	\$ 0	\$ 0
Sale of Water	115,525	0
Charges for Services	193,726	16,546
Contributions	0	25,841
Revenue from Use of Property	2,232	0
Usage Fees	38,879	18,811
Other	1,936	1,076
TOTAL OPERATING REVENUES	352,298	62,274
OPERATING EXPENSES		
Benefit and Claim Payments	0	29,031
Maintenance and Operations	152,194	17,084
Cost of Materials Issued	151	11,310
Cost of Water Purchased	52,178	0
Taxes	4,171	0
Administration	57,596	7,710
Depreciation and Amortization	22,501	5,862
Other	0	0
TOTAL OPERATING EXPENSES	288,791	70,997
OPERATING INCOME	63,507	-8,723
NONOPERATING REVENUES (EXPENSES)		
Earnings on Investments	22,958	231
Federal Grant Assistance	3,051	0
Other Agency Grant Assistance	-1,667	0
Bond Interest Payments	-1,281	0
Gain on Sale/Retirement of Fixed Assets	-2,211	126
Other	8,010	-4
TOTAL NONOPERATING REVENUES (EXPENSES)	28,860	353
INCOME BEFORE OPERATING TRANSFERS	92,367	-8,370
Operating Transfers In	500	1,512
Transfers from Governmental Funds	40	8,839
Operating Transfers Out	-500	-1,512
Transfers to Governmental Funds	0	-782
NET INCOME (LOSS)	92,407	-313
Retained Earnings/Fund Balances at Beginning of Year	656,805	-4,137
RETAINED EARNINGS/FUND BALANCES AT END OF YEAR	\$ 749,212	\$ -4,450

The accompanying notes are an integral part of the financial statements.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

Fiduciary Fund Types		Totals (Memorandum only)	
Pension Trust	Nonexpendable Trust	1993	1992
\$ 112,647	\$ 550	\$ 113,197	\$ 120,333
0	0	115,525	97,856
105	46	210,423	207,954
84,916	0	110,757	107,963
0	0	2,232	3,329
0	0	57,690	52,205
0	0	3,012	2,669
197,668	596	612,836	592,309
74,987	0	104,018	87,986
0	0	169,278	161,956
0	0	11,461	15,306
0	0	52,178	41,491
0	0	4,171	933
5,506	0	70,812	70,065
0	0	28,363	28,830
0	1	1	2
80,493	1	440,282	406,569
117,175	595	172,554	185,740
0	0	23,189	33,389
0	0	3,051	690
0	0	-1,667	970
0	0	-1,281	-1,537
0	0	-2,085	1,585
0	0	8,006	-3,998
0	0	29,213	31,099
117,175	595	201,767	216,839
0	0	2,012	706
0	0	8,879	167
0	0	-2,012	-706
0	-291	-1,073	-821
117,175	304	209,573	216,185
1,174,175	4,051	1,830,894	1,614,598
\$ 1,291,350	\$ 4,355	\$ 2,040,467	\$ 1,830,783
=====	=====	=====	=====

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF CASH FLOWS INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND Year Ended June 30, 1993 With Comparative Figures for June 30, 1992 (In Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 63,507	\$ -8,723
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Earnings on Investments Included		
in Operating Income	0	0
Reverse Repurchase Agreement Expense		
Included in Operating Income	0	0
Depreciation and Amortization	22,501	5,862
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables:		
Accounts and Special Assessments - Net	3,016	81
Claims - Net	0	45
Notes	61	0
Grants	-2,415	0
From Other Funds	500	0
(Increase) Decrease in Inventories	2,915	348
(Increase) Decrease in Prepaid and Reimbursable		
Items and Deposits	-235	-176
Increase (Decrease) in Accounts Payable	-5,379	1,471
Increase (Decrease) in Advances	0	-259
Increase (Decrease) in Accrued Wages and Benefits	732	20
Increase (Decrease) in Other Accrued Liabilities	95	0
Increase (Decrease) in Liability Claims	-59	-817
Increase (Decrease) in Due to Other Funds	-500	0
Increase (Decrease) in Deferred Revenue	13,285	32
Other Nonoperating Revenue	9,094	6
NET CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES	107,118	-2,110
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Transfers In	500	1,512
Transfers from Governmental Funds	40	8,839
Operating Transfers Out	-500	-1,512
Transfers to Governmental Funds	0	-782
Federal Grants Received	682	0
Operating Grants Received	984	0
Payments for Advances and Deposits	-1,426	-738
NET CASH PROVIDED BY (USED FOR)		
NONCAPITAL FINANCING ACTIVITIES	280	7,319

The accompanying notes are an integral part of the financial statements.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

Fiduciary Fund Type ----- Nonexpendable Trust -----	Total (Memorandum only) -----	
	1993	1992

\$ 595	\$ 55,379	\$ 50,593
-550	-550	-462
1	1	1
0	28,363	28,830
-2	3,095	-10,767
0	45	14
0	61	43
0	-2,415	0
0	500	-1,239
0	3,263	585
0	-411	-128
0	-3,908	-6,369
0	-259	0
0	752	2,177
0	95	-240
0	-876	-1,435
0	-500	2,000
2	13,319	3,891
0	9,100	1,331

46	105,054	68,825

0	2,012	706
0	8,879	167
0	-2,012	-706
-291	-1,073	-821
0	682	0
0	984	1,665
0	-2,164	-2,150

-291	7,308	-1,139

Continued on next page

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

COMBINED STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
Year Ended June 30, 1993
With Comparative Figures for June 30, 1992
(In Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	\$ 1,700	\$ 0
Proceeds from Contributed Capital	35,440	0
Acquisition of Fixed Assets	-161,934	-2,895
Proceeds from the Sale of Fixed Assets	-4,502	296
Principal Payment on Capital Lease	-84	0
Principal Paid on Long-Term Debt	-5,009	0
Interest Paid on Long-Term Debt	-1,335	0
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	-135,724	-2,599
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Change of Investments/Obligations Under Reverse Repurchase Agreements	-7,804	-128
Purchase of Investments	0	-103
(Increase) Decrease in Accrued Interest Receivable	0	-4
Interest and Dividends Received on Investments	23,181	231
Reverse Repurchase Agreement Interest Paid	-1,084	-10
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	14,293	-14
Net Increase (Decrease) in Cash and Cash Equivalents	-14,033	2,596
Cash and Cash Equivalents at Beginning of Year	449,441	42,907
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 435,408	\$ 45,503

The accompanying notes are an integral part of the financial statements.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

Fiduciary Fund Type	Totals	
	(Memorandum only)	
Nonexpendable Trust	1993	1992
<hr/>		
\$ 0	\$ 1,700	\$ 2,097
0	35,440	32,744
0	-164,829	-138,272
0	-4,206	2,170
0	-84	0
0	-5,009	-6,034
0	-1,335	-1,616
<hr/>		
0	-138,323	-108,911
<hr/>		
20	-7,912	-14,400
-128	-231	0
0	-4	0
550	23,962	34,911
-1	-1,095	-1,766
<hr/>		
441	14,720	18,745
<hr/>		
196	-11,241	-22,480
560	492,908	515,388
<hr/>		
\$ 756	\$ 481,667	\$ 492,908
=====	=====	=====

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1993

1. SUMMARY OF SIGNIFICANT POLICIES

The City of San Diego (the "City") adopted its charter on April 7, 1931 and operates as a municipality in accordance with State laws. The City is governed by an elected nine member City Council, including the Mayor. Residents of the City are provided with a wide range of services including parks, recreation, police, fire, water and sewer services.

The accounting policies of the City conform to generally accepted accounting principles ("GAAP") as applicable to governmental units. The following is a summary of the more significant of such policies:

A. Scope of Financial Reporting Entity

The City has defined its reporting entity in accordance with criteria prescribed by the Governmental Accounting Standards Board ("GASB"), which provide guidance for determining which governmental activities, organizations and functions should be included in the City's reporting entity.

The criteria for inclusion in the Comprehensive Annual Financial Report ("CAFR") of such information is generally based on the ability of the City to exercise oversight responsibility over such activities, organizations and functions. Such oversight responsibility is considered to mean the existence of financial interdependency and the ability to appoint governing boards, to designate management, the ability to significantly influence operations, to approve annual operating budgets or to control day to day operations. In analyzing the City's broad scope of operations, City management has determined that the City exercises such oversight responsibility over the following other entities:

- . Automated Regional Justice Information System (a joint-powers agency)
- . Centre City Development Corporation
- . City of San Diego Metropolitan Transit Development Board Authority (a joint-powers agency)
- . Mid-City Development Corporation
- . Redevelopment Agency of the City of San Diego
- . San Diego Convention Center Corporation, Inc.
- . San Diego Data Processing Corporation
- . San Diego Festivals, Inc.
- . San Diego Housing Authority
- . San Diego Industrial Development Authority
- . San Diego Open Space Park Facilities District #1

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

- . San Diego Facilities and Equipment Leasing Corporation
- . San Diego Planetarium Authority (a joint-powers agency)
- . San Diego Stadium Authority (a joint-powers agency)
- . Southeast Economic Development Corporation
- . San Ysidro Revitalization Project

B. Basis of Presentation

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues and expenditures/expenses. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the City:

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Fund Types) are accounted for through Governmental Fund Types. The measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination. The following are the City's Governmental Fund Types:

- . General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
- . Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those for expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.
- . Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.
- . Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Fund Types and certain trust funds).

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

PROPRIETARY FUND TYPES

Proprietary Fund Types are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and changes in financial position. The following are the City's Proprietary Fund Types:

- . Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.
- . Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Fiduciary Fund Types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds:

- . Trust and Agency Funds - Trust and Agency Funds include Expendable, Nonexpendable, Pension Trust and Agency Funds. Nonexpendable and Pension Trust Funds are accounted for and reported in the same manner as Proprietary Fund Types since capital maintenance is critical. Expendable Trust and Agency Funds are accounted for and reported similar to Governmental Fund Types.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

ACCOUNT GROUPS

Account Groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The following are the City's account groups:

- General Fixed Assets Account Group - This account group is established to account for all fixed assets of the City, other than those accounted for in the Proprietary Fund Types.
- General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the City, except for that accounted for in the Proprietary Fund Types.

C. Basis of Accounting

Governmental Fund Types, Expendable Trust and Agency Funds

The modified accrual basis of accounting is followed in the Governmental Fund Types, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues which are considered susceptible to accrual include real and personal property taxes, interest and state and federal grants and subventures. In applying the susceptible to accrual concept to state and federal revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

Other local taxes, licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Expenditures are recognized when the related fund liability is incurred except for (1) principal and interest of general long-term debt which are recognized when due; and (2) employee annual leave and claims and judgments from litigation and self-insurance which are recorded in the period due and payable since such amounts will not currently be liquidated with expendable available financial resources.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Proprietary Fund Types, Pension Trust and Nonexpendable Trust Funds

The accrual basis of accounting is used in all Proprietary Fund Types, Pension Trust and Nonexpendable Trust Funds. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred. Estimated unbilled revenues from the Water and Sewerage Utility (Enterprise) Funds are recognized at the end of each fiscal year. This estimated amount is based on billings during the month following the close of the fiscal year.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Property Taxes

The County of San Diego (the "County") bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the City. The City's collection of current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on March 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-79 general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values on properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

This Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days of the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are not recorded as revenue until collected.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

D. Property Taxes (Continued)

The City provides an allowance for uncollected property taxes of 3% of the outstanding balance which is reflective of historical collections.

E. Budgetary Data

General Budget Policies

On or before the first meeting in May of each year the City Manager submits to the City Council a proposed operating and capital improvements budget for the fiscal year commencing July 1. Such budget includes annual budgets for the following funds:

General Fund

Special Revenue Funds:

- Automated Regional Justice Information System
- Centre City Development Corporation
- Mid-City Development Corporation
- San Diego Convention Center Corporation
- San Diego Festivals Inc.
- Southeast Economic Development Corporation

City of San Diego Oversight Unit:

- Acquisition, Improvement and Operation

Environmental Growth Funds:

- Two-Thirds Requirement
- One-Third Requirement
- Police Decentralization
- Public Transportation
- San Diego Jack Murphy Stadium Acquisition
- San Diego Jack Murphy Stadium Operations
- Special Gas Tax Street Improvement
- Transient Occupancy Tax
- Zoological Exhibits

Debt Service Funds:

City of San Diego Oversight Unit:

General Obligation Bond Funds:

- Pre-Arrestment Detention Facility
- Public Safety Communications Project Bonds
- Other General Obligation Bonds

Capital Projects Funds:

City of San Diego Oversight Unit:

- Capital Outlay

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Public hearings are then conducted to obtain citizen comments on the proposed budget. During the month of July the budget is legally adopted through passage of an appropriation ordinance by the City Council.

The City budget is prepared on the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered as expenditures and (2) the increase/decrease in reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. Budgets for entities over which the City exercises oversight responsibility (component units) are prepared on the modified accrual basis of accounting plus the recognition of encumbrances outstanding at year-end as expenditures.

The City budget is prepared net of obligations under reverse repurchase agreement interest expense. For budgetary purposes, obligations under reverse repurchase agreement interest expense is considered a reduction of interest earnings.

Budgetary control for the City's General Fund is exercised at the payroll and other expenditures level. Budgetary control for the other budgeted funds, including those of certain component units, is maintained at the total fund appropriation level. All amendments to the adopted budget require City Council approval. However, the Auditor and Comptroller, as directed by the Financial Management Department, is authorized during the year to transfer amounts not exceeding \$25,000 between departments within the General Fund.

Reported budget figures are as originally adopted or subsequently amended by the City Council plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. Appropriations lapse at year-end to the extent that they have not been expended or encumbered.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

The following is a reconciliation of the excess (deficiency) of revenues over expenditures prepared on the GAAP basis to that prepared on the budgetary basis (in thousands):

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis	\$ 1,449	\$ (1,646)	\$ (2,470)	\$ (36,126)
Add (Deduct) - (Excess) Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - GAAP Basis for Non-Budgeted Funds	0	393	2,779	23,037
Budgeted Funds: Deduct:				
Encumbrances Outstanding, June 30, 1993	(7,313)	(9,056)	0	(6,897)
Reserved for Advances and Deposits, June 30, 1993	(22,219)	(1,203)	0	0
Add - Reserved for Advances and Deposits, June 30, 1992	<u>24,777</u>	<u>793</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses - Budgetary Basis	<u>\$ (3,306)</u>	<u>\$ (10,719)</u>	<u>\$ 309</u>	<u>\$ (19,986)</u>

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the budgeted Governmental Fund Types.

Encumbrances outstanding at year-end are reported as reservations of fund balances since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

G. Investments

Investments are stated at cost or amortized cost which approximates market. Gains or losses on investments are recognized upon sale of the investments. Investments in the Deferred Compensation Plan Agency Fund are recorded at market value. See Note 8 for more information on the Deferred Compensation Plan.

H. Inventories

Inventories, which consist of both water in storage and operating supplies, are valued at the lower of cost or market. Such inventories are expensed when consumed.

I. Restricted Assets

Proceeds from debt issuances, funds set aside for payment of Enterprise Fund revenue bonds and San Diego Housing Authority deposits servicing low interest construction and rehabilitation loans made by various banks are classified as restricted assets since their use is limited by applicable bond indentures.

J. Fixed Assets

General Fixed Assets:

General fixed assets are those acquired for general governmental purposes. Assets purchased are recorded as expenditures in the Governmental Fund Types and capitalized at cost in the General Fixed Assets Account Group. Donated fixed assets are recorded in general fixed assets at estimated fair market value at the time received. Certain assets for which actual costs are not practically determined have been valued on the basis of a professional valuation which determined their estimated historical cost.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Fixed assets comprising the infrastructure of the City, including roads, bridges, pools, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been capitalized. Such infrastructure assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship and cumulative accountability for capital expenditures is satisfied without recording these assets.

No depreciation has been provided on general fixed assets.

Proprietary Fund Type Fixed Assets:

Fixed assets owned by the Proprietary Fund Types are stated at cost if purchased or constructed, or at estimated fair market value if received as a donation. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Structures and improvements	30-40 years
Plants, dams, canals, laterals and equipment	5-150 years

K. Short-term Debt

The City has issued tax anticipation notes every year since fiscal year 1967 - 68 (except for fiscal year 1978 - 79) to meet its cash flow requirements. On July 1, 1992 and December 10, 1992, the City sold tax anticipation notes in the aggregate principal amount of \$67,500,000 and \$34,500,000, respectively. The notes were due and fully redeemed on June 30, 1993 and November 1, 1993 respectively, by monies that were fully segregated in a separate repayment fund. Both series of notes were secured by a pledge of the City's share of property taxes and other unrestricted monies received and attributable to the 1992 - 93 fiscal year. Monies for full redemption of these notes were fully segregated in a separate repayment fund at June 30, 1993 and subsequently used to redeem the notes on November 1, 1993. The liability for these notes is shown in the General Fund.

The City has never defaulted on the payment of the principal and interest on any of its short-term obligations. See Note 20 for additional Tax Anticipation Note information.

L. Interagency Current Receivables, Payables and Long-Term Debt

For reporting purposes, the City considers interagency long-term loans to be operating transfers. Accordingly, "loans receivable" are classified as "transfers out" while "loans payable" are classified as "transfers in". Interest on loans are recorded only when due. Loan amounts, including interest, are noted in the footnotes to this report. When loans are repaid, such transactions are also recorded as "transfers out" (typically from the Debt Service Fund) and "transfers in," and the loan balance is reduced in the footnotes. Interagency current receivables and payables are classified as accounts "receivable from" and "due to" other funds (See Note 6).

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

M. Long-term Liabilities

Long-term liabilities expected to be financed in future years from Governmental Fund Types are accounted for in the General Long-Term Debt Account Group. Long-term liabilities of all Proprietary Fund Types are accounted for in their respective funds.

N. Employee Annual Leave

The City provides combined annual leave to cover both vacation and sick leave. It is the City's policy to permit employees in the Fire Department to accumulate up to 21 weeks of earned but unused annual leave, employees eligible for the Management Benefits Plan to accumulate up to 17.5 weeks of earned but unused annual leave and all other employees to accumulate up to 15 weeks of earned but unused annual leave. Accumulation of these earnings will be paid to employees upon separation from service. Excess accumulated annual leave amounts not used by employees are forfeited on an annual basis.

In addition, sick leave earned through August 1981 by employees hired prior to July 1, 1975 is payable upon separation under the following conditions: (1) 50% of the employee's accrued amount upon retirement or death, or (2) 25% of the employee's accrued amount upon resignation.

In Governmental Fund Types and Expendable Trust Funds, the costs for annual leave are anticipated to be long-term in nature and, accordingly, the liability for accumulated unpaid benefits are recorded in the General Long-Term Debt Account Group which recognizes the City's obligation to fund such costs from future operations. Expenditures of the current year represent payments made to employees. In Proprietary Fund Types, annual leave benefits are recorded as a liability in the period earned.

O. Claims and Judgments

In Governmental Fund Types, the costs of claims and judgments are recorded as expenditures when payments are made. The liability for anticipated future claims is recorded in the General Long-Term Debt Account Group in recognition of the City's obligation to fund such costs from future operations. In Proprietary Fund Types, the costs of claims and judgments are recorded when the liability is incurred and measurable.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

1. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

P. Fund Equity

Portions of fund equity have been reserved for specific purposes. Reservations were created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Designated fund balance indicates that portion of fund equity for which the City has made tentative plans.

Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods.

Q. Statement of Cash Flows

All of the related City's restricted and unrestricted "Cash or Equity in Pooled Cash and Investments" and "Cash with Custodian/Fiscal Agent" are classified as cash and cash equivalents, since they are readily convertible to known amounts of cash or so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates.

R. Total Columns on Combined Statements

Amounts in the "Total - Memorandum Only" column in the combined financial statements are presented to aggregate financial data. The total includes fund types and account groups that use different bases of accounting and the captions "Amount Available for Payment of General Long-Term Debt" and "Amount to be Provided for Retirement of Long-Term Debt" which are not assets in the usual sense. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

S. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

2. CASH AND INVESTMENTS

As provided for by the Government Code, the cash balance of substantially all funds are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. The respective funds' shares of the total pooled cash and investments are included in the accompanying combined balance sheet under the caption "Cash or Equity in Pooled Cash and Investments." Interest earned on pooled investments is deposited to certain of the participating funds based upon each fund's average daily deposit balance during the allocation period with all remaining interest deposited to the General Fund.

"Cash With Custodian/Fiscal Agent" represents funds held by bank trustees on behalf of the City and its component units. For several component units, the purpose of these accounts is to invest cash related to certain outstanding long-term debts and to distribute principal and interest payments to debtholders. For other component units and the City, the purpose of these accounts is solely to distribute principal and interest payments to debtholders.

"Investments at Cost" in the combined balance sheet represent Pension Trust Fund investments, deferred compensation investments, and various special revenue, debt service, capital projects and miscellaneous trust fund investments.

Aggregate cash or equity in pooled cash and investments, cash with custodian/fiscal agent, and investments at cost are as follows at June 30, 1993 (in thousands):

	<u>Total</u>
Cash or Equity in Pooled Cash and Investments	\$1,120,944
Cash with Custodian/ Fiscal Agent	5,480
Investments at Cost	1,217,894
Restricted Assets	<u>11,805</u>
Total	<u>\$2,356,123</u>

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

2. CASH AND INVESTMENTS (CONTINUED)

Deposits

At June 30, 1993, the carrying amount of the City's cash or equity in pooled cash deposits (cash, non-negotiable certificates of deposit and money market funds) was approximately \$21,183,979 and the balance per various financial institutions was approximately \$47,597,691. Of the balance in financial institutions, approximately \$1,483,797 was covered by federal depository insurance and approximately \$46,113,894 was uninsured. Such uninsured deposits are with financial institutions which are individually legally required to have government deposits collateralized with government securities held by the pledging financial institution's trust departments in the government's name. The market value of such pledged securities must equal at least 110% of the government's deposits.

At June 30, 1993, "Cash with Custodian/Fiscal Agent" (approximately \$5,480,000) was held by the trust departments of various banks and was not covered by federal depository insurance or collateralized by securities owned by the bank.

Investments

In accordance with the charter of the City of San Diego and under authority granted by the City Council, the City Treasurer is responsible for investing the unexpended cash in the City treasury. This investment policy applies to all of the investment activities of the City, except for the Pension Trust Funds (for which policies are noted below), the proceeds of certain debt issues which are managed and invested by trustees appointed under indenture agreements and the assets of trust funds which are placed in the custody of the Funds Commission by Council ordinance. All financial assets of all other funds are administered in accordance with the provisions noted here.

The City may transact business only with banks, savings and loans, and investment securities dealers who are primary dealers regularly reporting to the New York Federal Reserve Bank. Exceptions to this rule can be made only upon written authorization of the City Treasurer. Authorized cash deposits and investments are governed by state law, as well as by the City's own written investment policy. Within the context of these limitations, permissible investments include (1) obligations of the U.S. government and federal agencies, (2) commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, (3) bankers' acceptances, (4) negotiable and/or non-negotiable certificates of deposit and non-negotiable time deposits issued by a nationally or state chartered bank or a state or federal savings and loan association, (5) repurchase and reverse repurchase agreements, (6) the local agency investment fund established by the state treasurer, (7) financial futures contracts in any of the other authorized investments which are used to offset an existing financial position and not for outright speculation, (8) mortgage securities purchased under an agreement to resell, (9) medium-term corporate notes of a maximum of five years maturity issued by corporations operating within the United States and (10) shares of beneficial interest issued by diversified management companies, as defined in Section 23701m of the Revenue and Taxation Code.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

2. CASH AND INVESTMENTS (CONTINUED)

All non-negotiable time certificates of deposit are to be fully collateralized with mortgages or eligible securities in accordance with state law.

Investments for the Pension Trust Fund are authorized to be made by the Board of Administration of the City Employees' Retirement System in accordance with the charter of the City. The Board is authorized to invest in any bonds or securities which are allowed by general law for savings banks. The Board has further restricted the authorized investments to those believed by independent investment counsel to be appropriate for investment by trust funds operating under the "prudent man" rule as set forth in state law. These investments include, but are not limited to, bonds, notes or other obligations, real estate investments, common stocks, preferred stocks and pooled vehicles. Investments can also be made in financial futures contracts in any of the other authorized investments which are used to offset an existing financial position and not for outright speculation.

Investment policies permit the Pension Trust Fund to invest in financial futures contracts. Financial futures contracts, which are recorded at market value, are not hedges of existing assets, and changes in the market value of the contract result in recognition of a gain or loss.

Reverse Repurchase Agreements

Investment policies permit the City to enter into reverse repurchase agreements which is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received providing the dealers a margin against a decline in the market value of the securities. If the dealers default on their obligations to resell these securities to the City or provide securities of cash or equal value, the City could suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the reverse repurchase agreement obligation, including accrued interest payable. There was no such credit exposure at year-end. Interest expense was incurred under reverse repurchase agreements in the amount of \$2,495,686 for the year ended June 30, 1993.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

2. CASH AND INVESTMENTS (CONTINUED)

The City's investments at June 30, 1993, that can be specifically identified as to credit risk are categorized as described below (in thousands):

- Category 1: Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Investments that are not subject to credit risk categorization, but that require carrying amount and market value disclosure are also presented below (in thousands).

	Category			Carrying	Market
	1	2	3	Amount	Value
U.S. government securities	\$1,080,201	\$ 36,710	\$ 0	\$1,116,911	\$1,134,207
Bankers' acceptances	23,866	0	0	23,866	23,866
Negotiable certificates of deposits	30,000	0	0	30,000	30,000
Commercial paper	26,769	0	0	26,769	26,677
Corporate notes/bonds	494,950	6,467	0	501,417	510,241
Common stock	322,110	0	0	322,110	412,331
Mortgage notes	14,315	0	0	14,315	14,997
Repurchase agreements	5,403	0	0	5,403	5,403
	<u>\$1,997,614</u>	<u>\$ 43,177</u>	<u>\$ 0</u>	2,040,791	2,157,722
Investment with California Local Agency Investment Fund				21,685	21,685
Investment held by brokers- dealers under reverse repurchase agreements:					
U.S. government securities				106,992	106,992
Mutual funds				69,994	69,994
Real estate/mineral interest funds				46,613	43,593
Real estate				2,224	2,224
Deferred compensation				41,161	41,161
Total investments				<u>\$2,329,460</u>	<u>\$2,443,371</u>

Investments are stated at cost or amortized cost, except for investments in the Deferred Compensation Plan Agency Fund which are reported at market value.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

2. CASH AND INVESTMENTS (CONTINUED)

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 1993 (in thousands):

Deposits	\$ 21,183
Cash with custodian/ fiscal agent	5,480
Investments	<u>2,329,460</u>
Total	<u>\$2,356,123</u>

3. FIXED ASSETS

General Fixed Assets

A summary of changes in general fixed assets for the year ended June 30, 1993 is as follows (in thousands):

	Balance July 1, 1992	Additions	Adjustments And Transfers	Deletions	Balance June 30, 1993
Land	\$ 254,953	\$ 13,140	\$ 321	\$ (407)	\$ 268,007
Structures and improvements	312,962	38,578	178	(5,875)	345,843
Equipment	<u>113,272</u>	<u>19,543</u>	<u>(2,985)</u>	<u>(3,906)</u>	<u>125,924</u>
Subtotal	681,187	71,261	(2,486)	(10,188)	739,774
Construction in progress	<u>86,723</u>	<u>21,150</u>	<u>(25,235)</u>	<u>(3,511)</u>	<u>79,127</u>
Total	<u>\$ 767,910</u>	<u>\$92,411</u>	<u>\$ (27,721)</u>	<u>\$ (13,699)</u>	<u>\$ 818,901</u>

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

3. FIXED ASSETS (CONTINUED)

Proprietary Fund Type Fixed Assets

A summary of Proprietary Fund Type Fixed Assets at June 30, 1993 is as follows (in thousands):

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Land	\$ 4,555	\$ 0
Structures and improvements	19,171	0
Plants, dams, canals, laterals and equipment	926,447	61,135
Other	41,145	
Construction in progress	<u>612,198</u>	<u>992</u>
	1,603,516	62,127
Less - Accumulated depreciation	<u>(283,814)</u>	<u>(36,359)</u>
Total, net	<u>\$ 1,319,702</u>	<u>\$ 25,768</u>

Construction In Progress

A summary of construction in progress (CIP) at June 30, 1993 is as follows (in thousands):

General Fixed Asset Account Group:

City	\$ 31,840
Housing Authority	<u>47,287</u>
Total General Fixed Asset Account Group	<u>79,127</u>

Enterprise Funds:

Airports	1,013
Golf Course	2,972
Sewerage Utility	488,301
Waste Disposal	9,497
Water Utility	<u>110,415</u>
Total Enterprise Funds	<u>612,198</u>

Internal Service Funds:

Central Garage and Machine Shop	<u>992</u>
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Total Construction in Progress	<u>\$ 692,317</u>
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THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

3. FIXED ASSETS (CONTINUED)

The Sewerage Utility Fund and Water Utility Fund CIP of \$488,301 and \$110,415, respectively, represent 86.5 percent of total CIP for the year ended June 30, 1993.

The Sewerage Utility's construction plans for various projects are estimated to cost approximately \$151,717,000. As of June 30, 1993, the Sewerage Utility's contractual commitments for the projects totalled approximately \$120,822,000. It is intended that the contractual commitments be financed with approved State and Federal grants and service charges.

The Water Utility's construction plans for various projects are estimated to cost approximately \$62,868,000. As of June 30, 1993, the Water Utility's contractual commitments for the projects totalled approximately \$22,957,000. It is intended that the contractual commitments be financed with reserves and service charges.

Construction commitments are authorized by City Council and have various completion dates. It is not anticipated that additional future financing will be required for projects currently in progress.

4. GENERAL LONG-TERM DEBT

General long-term debt consists of general obligation bonds, special assessment bonds, tax allocation bonds, contracts payable, notes payable, capital lease obligations, liability claims (also see Note 15 for more information contingencies) and accrued annual leave. A summary of these obligations as recorded in the General Long-Term Debt Account Group as of June 30, 1993 is as follows (in thousands):

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1993</u>
<u>General Obligation Bonds:</u>				
San Diego Stadium Authority Revenue Bonds issued April 1966	3.8-4.0%	2001	\$ 27,000	\$ 11,040
San Diego Stadium Authority Revenue Bonds, Series 1983 issued September 1983	8.0-11.0	2003	9,155	6,955
Municipal Improvement Bonds of 1966, Series 3, issued December 1968	5.0-5.1	1994	5,000	390
Municipal Improvement Bonds of 1968, issued December 1968	4.9-5.1	1994	3,500	290

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

4. GENERAL LONG-TERM DEBT (CONTINUED)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1993</u>
<u>General Obligation Bonds (Cont'd):</u>				
San Diego Planetarium Revenue Bonds, issued April 1971	5.0-7.0	1996	3,000	860
Open Space Park Bonds of 1978, Series 79A, issued April 1979	6.0-8.0	2009	15,000	15,000
Open Space Park Bonds of 1978, Series 82A, issued November 1982	12.0	1994	15,000	395
Open Space Park Bonds of 1978, Series 86A, issued June 1986	7.4-7.6	2007	20,000	20,000
Open Space Park Refunding Bonds of 1986, issued June 1986	6.0-7.5	2005	32,790	31,490
Metropolitan Transit Development Board Authority Certificates of Participation of 1988, issued May 1988	5.6-7.3	2006	63,330	46,735
Metropolitan Transit Development Board Authority Lease Revenue Bonds of 1989, issued June 1989	6.4-6.9	2009	31,240	28,460
Municipal Improvement Bonds of 1991, issued March 1991	5.0-8.0	2012	25,500	25,360
San Diego Facilities Equipment Leasing Certificates of Participation of 1991, issued July 15, 1991	5.0-6.95	2021	11,810	11,680
Certificates of Participation of 1991, issued August 1991	8.0	2002	<u>8,500</u>	<u>7,700</u>
Total General Obligation Bonds			<u>\$ 270,825</u>	<u>\$ 206,355</u>

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

4. GENERAL LONG-TERM DEBT (CONTINUED)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1993</u>
<u>Special Assessment Bonds:</u>				
1915 Act Otay Mesa Road Improvement Bonds, issued June 1966	8.2	1999	1,148	455
1915 Act Via De La Valle Improvement Bonds, issued October 1986	6.0-6.8	2003	2,115	1,660
1915 Act Rio Vista Center Assessment District 1987 Reassessment and Refunding Bonds, issued April 1987	6.5-7.7	1998	1,105	370
1915 Act Alta Vista Annexation Sewer & Water Maintenance 1987 Reassessment & Refunding Bonds, issued April 1987	6.0-7.8	1999	220	145
1915 Act Lopez Canyon Sewer & Retention Basin 1987 Reassessment & Refunding Bonds, issued April 1987	6.5-7.9	2000	1,750	1,070
1915 Act Mira Mesa Blvd. Assessment District 1987 Reassessment & Refunding Bonds, issued April 1987	6.5-7.7	1998	1,910	1,010
1915 Act Sunset Cliffs Stabilization 1987 Reassessment & Refunding Bonds, issued April 1987	6.5-7.7	1998	560	345
1915 Act First San Diego River Improvement Project Bonds, issued July 1987	6.5-7.8	2008	24,082	20,835
1915 Act Otay International Center Improvement Bonds, issued September 1988	6.0-8.0	2014	6,995	5,955
1915 Act De La Fuente Business Park Improvement Bonds, issued April 1989	7.0-7.7	2014	4,897	4,575
1915 Act Sorrento Valley Road Improvement Bonds, issued June 1989	6.0-7.0	2010	1,632	1,480

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

4. GENERAL LONG-TERM DEBT (CONTINUED)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1993</u>
<u>Special Assessment Bonds (Cont'd):</u>				
1915 Act Calle Cristobal Improvement Bonds, issued July 1989	6.8-7.0	2015	19,195	18,020
1915 Act Otay International Center-Phase II Improvement Bonds, issued Sept. 1989	6.0-7.4	2015	12,212	11,520
1915 Act International Business Center Project, issued September 1990	6.1-7.4	2016	4,172	4,000
1915 Act Mission Valley Heights, issued September 1990	6.5-7.9	2016	8,570	8,355
1915 Act Otay Mesa Industrial Park, issued May 1992	5.5-7.95	2013	2,235	2,235
Special Tax Bonds, 1991 Series A, Miramar Ranch North, issued July 1991	6.0-8.5	2017	35,340	35,340
1915 Act De La Fuente Business Park Phase II, issued July 1992	4.0-7.1	2018	5,987	5,987
1915 Act Black Mountain Improvement Bonds, issued December 1992	6.2-7.0	2018	<u>5,500</u>	<u>5,500</u>
Total Special Assessment Bonds			<u>\$ 139,625</u>	<u>128,857</u>

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

4. GENERAL LONG-TERM DEBT (CONTINUED)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1993</u>
<u>Tax Allocation Bonds</u>				
Horton Plaza Project Tax Allocation Bonds, Series 1977, issued November 1977	5.8-6.7	2002	11,000	3,625
Horton Plaza Project Tax Allocation Refunding Bonds Series 1988, issued July 1988	5.8-8.1	2009	11,635	10,395
Centre City Redevelopment Project Tax Allocation Refunding Bonds Series 1992, Issued October 1992	3.0-6.0	2008	<u>36,935</u>	<u>36,935</u>
Total Tax Allocation Bonds			<u>\$ 59,570</u>	<u>50,955</u>
Total Bonds Payable				<u>386,167</u>
<u>Contracts Payable:</u>				
Contract Payable to City of National City, dated March 1987	7.5	2002	3,256	4,372
Contract Payable to City of National City, dated March 1987	7.5	2002	2,171	1,564
Contract Payable to County of San Diego, dated June 1987	11.0	2013	423	104
Contract Payable to DP Partnership, dated May 1988	11.0	2024	389	402
Contract Payable to Metropolitan Transit Development Board Authority, dated December 1988	11.0	1994	<u>1,459</u>	<u>270</u>
Total Contracts Payable			<u>\$ 7,698</u>	<u>6,712</u>

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

4. GENERAL LONG-TERM DEBT (CONTINUED)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1993</u>
<u>Notes Payable:</u>				
Notes payable to HUD, Various Dates	Various	Various	48,351	49,821
Note payable to HCD, dated July 1981	0.0	2013	1,405	1,405
Note payable to HCD, dated April 1983	0.0	2015	3,149	3,149
Mortgage note payable to Bank of America, dated February 1985	10.2	2025	3,656	3,570
Note payable to San Diego Association of Governments, dated July 1991	8.57	1997	8,000	8,000
Note payable to San Diego Association of Governments, dated July 1991	5.3-6.9	2008	6,525	6,300
Note payable to the 1st Nationwide, assumed December 1992	Variable	2011	195	177
Notes payable to HCD, dated November 1986	3.0	Various	155	155
Notes payable to HCD, dated March 1981	3.0	Various	20	20
Notes payable to HCD, dated October 1980	3.0	Various	30	30
Notes payable to HCD, dated May 1980	3.0	Various	6	6
Note payable to GMAC, dated May 1988	8.5	Various	11	9
Notes payable to the Redevelopment Agency, Various Dates	0.0	2022	<u>209</u>	<u>537</u>
Total Notes Payable			<u>\$ 71,712</u>	<u>73,179</u>

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

4. GENERAL LONG-TERM DEBT (CONTINUED)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1993</u>
Capital Lease Obligations For Various Office Equipments, Various Dates	Various	Various	66	37
Liability Claims				21,500
Accrued Annual Leave				<u>36,337</u>
Total General Long-Term Debt				<u>\$ 523,932</u>

The following is a summary of changes in general long-term debt for the year ended June 30, 1993 (in thousands):

	<u>Balance July 1, 1992</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 1993</u>
General obligation bonds	\$ 214,515	\$ 0	\$ (8,160)	\$ 206,355
Special assessment bonds	120,870	11,487	(3,500)	128,857
Tax allocation bonds	50,215	36,935	(36,195)	50,955
Contracts payable	7,260	555	(1,103)	6,712
Notes payable	67,166	7,146	(1,133)	73,179
Capital lease obligations	77	0	(40)	37
Liability claims	35,009	0	(13,509)	21,500
Accrued annual leave	<u>32,069</u>	<u>4,649</u>	<u>(381)</u>	<u>36,337</u>
Total	<u>\$ 527,181</u>	<u>\$ 60,772</u>	<u>\$ (64,021)</u>	<u>\$ 523,932</u>

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

4. GENERAL LONG-TERM DEBT (CONTINUED)

The City is obligated to levy and collect taxes for payment of principal and interest on the general obligation bonds. Certain bonds may be called at specified premiums.

The special assessment bonds were issued by the City to provide funds to make certain improvements in special assessment districts created by the City. The obligations are payable from property assessments against benefiting property owners for which liens have been attached. In the event of delinquencies in the payment of the property owners' installments, the City, in the absence of any other bidder, is obligated, by deposits from available surplus funds in the applicable Redemption Fund, to purchase at delinquent reassessment sales and pay future delinquent installments of reassessments and interest thereon until the land is resold or the applicable bonds are redeemed.

The annual requirements to amortize such long-term debt outstanding as of June 30, 1993, including interest payments to maturity, are as follows (in thousands):

Year Ending June 30.	General Obligation Bonds	Special Assessment Bonds	Tax Allocation Bonds	Contracts Payable	Notes Payable	Capital Lease Obligations
1994	\$ 23,499	\$ 12,811	\$ 5,395	\$ 3,368	\$ 1,087	\$ 13
1995	22,858	12,879	5,391	2,518	1,089	13
1996	22,884	12,895	5,385	368	5,817	11
1997	23,110	12,849	5,385	368	3,655	0
1998	22,477	12,836	5,377	326	658	0
1999-2003	114,312	61,185	24,467	1,024	3,337	0
2004-2008	84,019	59,493	23,438	64	3,465	0
Thereafter	<u>26,933</u>	<u>75,690</u>	<u>4,675</u>	<u>64</u>	<u>58,206</u>	<u>0</u>
Subtotal	340,092	260,638	79,513	8,100	77,314	37
Less Amounts representing interest	<u>(133,737)</u>	<u>(131,781)</u>	<u>(28,558)</u>	<u>(1,387)</u>	<u>(4,135)</u>	<u>0</u>
Total	<u>\$ 206,355</u>	<u>\$ 128,857</u>	<u>\$ 50,955</u>	<u>\$ 6,712</u>	<u>\$73,179</u>	<u>\$ 37</u>

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4. GENERAL LONG-TERM DEBT (CONTINUED)

Series 1992 Tax Allocation Refunding Bonds

The Redevelopment Agency of the City of San Diego issued Tax Allocation Refunding Bonds, Series 1992 dated October 1, 1992 in the amount of \$36,935,000 to advance refund the outstanding \$18,105,000 Series 1987 Marina Redevelopment Project Tax Allocation Refunding Bonds and \$17,045,000 Series 1987 Columbia Redevelopment Project Tax Allocation Refunding Bonds. The proceeds from the advance refunding were deposited into two escrow account to purchase direct obligations of the United States Government or certain other obligations for which the faith and credit of the United States are pledged for the payment of principal and interest of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long term debt account group. This advance refunding was undertaken to reduce total debt service payments over the next 17 years by \$11,518,000 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$3,012,545.

Prior-Years' Defeasance of Debt

In prior years, the City, the Redevelopment Agency of the City of San Diego and the Open Space Park Facilities District No. 1 defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 1993, \$114,645,000 of such defeased bonds are still outstanding.

5. PROPRIETARY FUND TYPE LONG-TERM DEBT

Proprietary Fund Type long-term debt as of June 30, 1993 is comprised of the following (in thousands):

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1993</u>
<u>Sewer Revenue Bonds:</u>				
Sewer Revenue Bonds of 1961, issued June 1961	4.0%	1998	\$ 42,500	\$ 6,117
Sewer Revenue Bonds 1966 Series A, issued May 1968	4.8-5.0	1998	5,000	2,870
Sewer Revenue Bonds 1966 Series B, issued September 1968	5.1	1998	<u>10,000</u>	<u>3,810</u>
Total Sewer Revenue Bonds			<u>\$ 57,500</u>	<u>\$ 12,797</u>

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5. PROPRIETARY FUND TYPE LONG-TERM DEBT (CONTINUED)

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 1993</u>
<u>Notes Payable (Cont'd):</u>				
<u>Notes Payable:</u>				
Note payable to insurance company, dated August 1980	10.0	2011	\$ 1,200	\$ 574
Note payable to bank, dated February 1991	5.3	1995	336	177
Note payable to bank, dated April 1992	5.3	1995	393	229
Note payable to bank, dated June 1992	5.3	1995	464	297
Note payable to bank, dated October 1992	4.8	1997	<u>1,700</u>	<u>1,670</u>
Total Notes Payable			<u>\$ 4,093</u>	<u>\$ 2,947</u>
<u>General Obligation Bond:</u>				
Certificates of Participation, dated September 1990	7.3	1996	<u>\$ 9,205</u>	<u>\$ 6,630</u>
<u>Contracts Payable:</u>				
Contracts payable to County of San Diego		1997	100	100
Other contracts payable		1995	<u>41</u>	<u>71</u>
Total Contracts Payable			<u>\$ 141</u>	<u>171</u>
Total Proprietary Fund Type Debt				<u>\$ 22,545</u>

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5. PROPRIETARY FUND TYPE LONG-TERM DEBT (CONTINUED)

The sewer revenue bonds may be redeemed prior to maturity at specified dates and at certain premiums. A sinking fund has been established for the sewer revenue bonds whereby sufficient funds must be set aside to purchase or call and redeem the bonds in minimum annual principal amounts of \$1,300,000 through 1998. The bond ordinances limit additional revenue debt financing, preclude further encumbering of the sewer user charge revenue and prohibits the disposition or lease of the enterprise plant in service, unless certain conditions are met in each instance. The management of the City is of the opinion that all significant bond covenant requirements have been met.

The City Charter provides that the bonded indebtedness for the development, conservation and furnishing of water cannot exceed 15% of the most recent assessed valuation of all real and personal property of the City subject to direct taxation, and 10% for other municipal improvements. At June 30, 1993, the limits for the City were \$2,315,550 and \$1,543,699 respectively.

Annual requirements to amortize such long-term debt as of June 30, 1993, including interest payments to maturity, are as follows (in thousands):

Year Ending June 30,	Sewer Revenue Bonds	Notes Payable	General Obligation Bond	Contracts Payable	Total
1994	\$ 2,979	\$ 885	\$ 2,201	\$ 0	\$ 6,065
1995	2,976	918	2,188	71	6,153
1996	2,978	573	2,184	0	5,735
1997	2,979	250	927	100	4,256
1998	2,595	569	0	0	3,164
1999	0	126	0	0	126
2000	<u>0</u>	<u>54</u>	<u>0</u>	<u>0</u>	<u>54</u>
Subtotal	14,507	3,375	7,500	171	25,553
Less amounts representing interest	<u>(1,710)</u>	<u>(428)</u>	<u>(870)</u>	<u>(0)</u>	<u>(3,008)</u>
Total	<u>\$12,797</u>	<u>\$ 2,947</u>	<u>\$ 6,630</u>	<u>\$ 171</u>	<u>\$22,545</u>

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6. INTERAGENCY LONG-TERM DEBT

Long-term debt between the City and its component units has been eliminated in this report. During the year, the Redevelopment Agency of the City of San Diego has repaid \$2,797,787 principal and \$2,718,415 interest to the City and the City has advanced \$4,773,692 to the Agency. Interest at 12 percent totaling \$11,447,308 was added to the amount owing for the year. At June 30, 1993, interagency loans (including interest) were as follows (in thousands):

	<u>Loans and Note Receivable</u>	<u>Loans and Note Payable</u>
City of San Diego	\$157,996	\$ 0
Redevelopment Agency of The City of San Diego	<u>0</u>	<u>157,996</u>
Total	<u>\$157,996</u>	<u>\$157,996</u>

7. LEASE COMMITMENTS

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the City for property that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 1993 (in thousands):

<u>Year Ending June 30,</u>	
1994	\$ 8,269
1995	7,812
1996	7,197
1997	6,758
1998	6,560
Thereafter	<u>33,011</u>
Total	<u>\$69,607</u>

Rent expense as related to operating leases was approximately \$8,778,000 for the year ended June 30, 1993.

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7. LEASE COMMITMENTS (CONTINUED)

Capital Leases

The City has entered into various capital leases for equipment, vehicles and property. A schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 1993 is provided in Note 4.

Lease Revenues

The City has operating leases for certain land, buildings and facilities with tenants and concessionaires who will provide the following minimum annual lease payments (in thousands):

Years Ending June 30,

1994	\$ 19,183
1995	17,115
1996	16,534
1997	16,118
1998	15,831
Thereafter	<u>441,167</u>
Total	<u>\$525,948</u>

This amount does not include contingent rentals which may be received under certain leases of property on the basis of percentage returns. Contingent rentals amounted to approximately \$19,725,000 in the year ended June 30, 1993.

8. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, disability or an unforeseeable emergency.

The City funds all amounts of compensation deferred under the plan through investments in various mutual funds administered by an insurance company. Such investments and all related earnings thereon are (until paid or made available to employee or other beneficiary) solely the property and right of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants under the plan have only the right to receive benefits in an amount equal to the balance of the participant's book account balance.

8. DEFERRED COMPENSATION PLAN (CONTINUED)

The City is of the opinion that it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the plan's assets to satisfy the claims of general creditors in the future.

The City accounts for the plan as an Agency Fund. The assets are stated at the market value which is represented by the contract value provided by the City's third party administrator.

9. PENSION PLANS

The City has a defined benefit plan and various defined contribution pension plans covering substantially all of its employees.

DEFINED BENEFIT PLAN

A. Plan Description

All of the City and the San Diego Unified Port District (the "District") full-time employees participate in the City Employees' Retirement System ("CERS"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City and the District. For the year ended June 30, 1993, the City's payroll for employees covered by CERS was approximately \$340,700,000 while the City's total payroll was approximately \$353,354,000.

The number of employees and covered membership are as follows:

Retiree and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	3,804
Fully vested active employees	3,171
Nonvested active employees	6,344

All full-time City employees are eligible to participate in CERS. Retirement benefits are determined primarily by the member's age at retirement, the length of membership service and the member's final compensation. Final compensation is the members' compensation earnable based on the highest one-year period. Benefits fully vest on reaching 10 years of service. CERS also provides death and disability benefits. Benefits are established by the City's Municipal Code.

City employees are required to contribute a percentage of their annual salary to CERS. The City is required to contribute the remaining amounts necessary to fund CERS, using the actuarial basis specified by statute.

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9. PENSION PLANS (CONTINUED)

B. Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of CERS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to CERS.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1992. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8 percent a year compounded annually, (b) projected salary increases of 5.5 percent a year compounded annually (1.3 percent due to merit and 4.2 percent due to inflation), (c) up to a 2 percent per annum cost of living assumption, and (d) the Group Annuity Mortality Table with a 2 year setback for males.

Accumulated benefits and net assets for the City's defined benefit plan as of June 30, 1992, the most recent actuarial valuation date, are as follows (in thousands):

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 446,824
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Current employees:

Accumulated employee contributions including allocated investment earnings	132,670
Employer-financed vested	388,400
Employer-financed nonvested	<u>89,345</u>

Total pension benefit obligation	1,057,239
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Net assets available for benefits, at cost	<u>1,077,135</u>
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Unfunded pension benefit obligation	<u>\$ (19,896)</u>
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The market value of the net assets was approximately \$1,099,164,881 at June 30, 1992.

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9. PENSION PLANS (CONTINUED)

C. Actuarially Determined Contribution Requirements and Contribution Made

Contributions to CERS from City employees vary according to entry age and salary. The City contributes a portion of the employees' share and the remaining amount necessary to fund the system based on an actuarial valuation at the end of the preceding year under the entry age normal cost method. The entry age normal cost method defines the normal cost as the level percent of payroll needed to fund benefits over the period from the date of participation to the date of retirement. Beginning with the June 30, 1992 valuation, contributions will be based on the projected unit credit method of actuarial valuation. Initial prior service costs are being amortized over a period of 30 years. Additional prior service costs due to plan changes in 1965 are being amortized over 30 years.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

The contribution to CERS for 1993 of \$48,164,000 (14.1 percent of current covered payroll) was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1991 (the June 30, 1992 valuation was not received by the City until March 1993). The City contributed \$34,150,000 (10.0 percent of covered payroll); employees contributed \$14,014,000 (4.1 percent of covered payroll). All of the employer contributions were applied to normal cost.

D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information may be found on page 19 of the City's Comprehensive Annual Financial Report. For the three fiscal years ended 1990, 1991, and 1992, respectively, available assets were sufficient to fund 95.1, 94.6 and 95.2 percent of the City's pension benefit obligation. Unfunded pension benefit obligation represented 15.2, 16.9, and 15.4 percent of the City's annual payroll for employees covered by CERS for 1990, 1991, and 1992, respectively. Showing unfunded pension benefit obligation as a percentage of annual covered City payroll approximately adjusts for the effects of inflation for analysis purposes. In addition, for the three fiscal years ended 1990, 1991, and 1992, the City's contributions to CERS, all made in accordance with actuarially determined requirements, were 11.0, 12.7, and 8.9 percent respectively of annual covered payroll.

Plan data for the plan year ended June 30, 1993 is not yet available.

9. PENSION PLANS (CONTINUED)**DEFINED CONTRIBUTION PLANS**

- a. Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City provides pension benefits for eligible full-time employees through a supplemental pension and savings plan, a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. State legislation requires that both the employee and the City contribute an amount equal to 3% of the employee's total salary each month. Participants in the plan hired before April 1, 1986 and on or after April 1, 1986 may voluntarily contribute up to an additional 4.5% and 3.05%, respectively, of total salary. The City also contributes an amount equal to the employee voluntary contributions. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the City's contribution requirement.

The City's total payroll in fiscal year 1993 was approximately \$353,354,000. The City's contributions were calculated using the salary amount of approximately \$233,441,000. The City and the covered employees each contributed approximately \$13,773,000 (5.9%) or approximately \$27,546,000 in total.

In addition, the City provides pension benefits for all eligible full-time employees through the 401(k) Deferred Compensation Plan, also a defined contribution plan. Employees are eligible to participate twelve months after the date of employment. Employees make contributions to their 401(k) accounts through payroll deductions, and may also elect to have the City contribute to their 401(k) accounts through the City's Employees' Flexible Benefits Program.

The City's total payroll in fiscal year 1993 was approximately \$353,354,000. The City's contributions were calculated pursuant to various combination arrangements with employees. The City and the covered employees contributed approximately \$3,178,000 and approximately \$2,472,000, respectively, or approximately \$5,650,000 in total.

- b. Centre City Development Corporation ("CCDC") has a Money Purchase Pension Plan covering all full-time permanent employees. The plan is a defined contribution plan. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, CCDC contributes quarterly an amount equal to 8% of the total quarterly compensation for all employees. CCDC's contributions for each employee are fully vested after six years of continuous service.

9. PENSION PLANS (CONTINUED)

CCDC's total payroll in fiscal year 1993 was approximately \$1,282,000. CCDC contributions were calculated using the base salary amount of approximately \$1,221,000. CCDC made the required 8% contribution, amounting to approximately \$79,000 (net of forfeitures) for fiscal year 1993.

In addition, CCDC has a Tax Deferred Annuity Plan covering current and previous full-time permanent employees. The plan is a defined contribution plan. Employees are eligible to participate the first day of the month following 90 days after their date of employment. During each plan year, CCDC contributes semi-monthly an amount equal to 10% of the total semi-monthly compensation for all employees. CCDC's contributions for each employee are fully vested at time of contribution.

CCDC's total payroll in fiscal year 1993 was approximately \$1,282,000. CCDC contributions were calculated using the base salary amount of approximately \$1,221,000. CCDC made the required 10% contribution amounting to approximately \$122,000 for fiscal 1993.

- c. San Diego Convention Center Corporation, Inc. ("SDCCC") provides pension benefits for eligible employees through a Money Purchase Pension Plan. The plan is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at the earlier of the date on which they complete six months of continuous full-time service, or the twelve-month period beginning on the hire date (or any subsequent plan year) during which they complete 1,000 hours of service. For each plan year, which is defined as a calendar year, SDCCC contributes an amount equal to 10% of the total covered compensation of all eligible employees. SDCCC contributions for each employee are vested gradually over five years of continuing service with an eligible employee becoming fully vested after five years. The unvested portion of a terminated employee's account becomes available after a specified waiting period to reduce SDCCC's required contributions.

Total payroll for the plan year ended December 31, 1992 was approximately \$6,210,000. Required contributions were calculated using the covered compensation amount of approximately \$4,784,000. SDCCC has funded the required contribution as of June 30, 1993.

For the fiscal year ended June 30, 1993, pension expense amounted to \$420,000. SDCCC records pension expense during the fiscal year based upon estimated covered compensation. A final determination of covered compensation and SDCCC's required contribution for the plan year is made as of December 31. Included in accrued liabilities at June 30, 1993 is approximately \$224,000 for accrued pension expense.

9. PENSION PLANS (CONTINUED)

- d. San Diego Data Processing Corporation ("SDDPC") has agreed to accrue up to \$25,000 per year for a maximum of thirty years to provide employees who transferred from the City to SDDPC with retirement benefits approximately equal to those under the City's retirement plan. In accordance with this provision, \$25,000 was charged to operations during the year ended June 30, 1993. SDDPC had previously invested these funds in a group annuity contract separate from the one covering the pension plan described below. During fiscal year 1991, the annuity contract matured and SDDPC transferred the funds to a money market account held in the Corporation's name separate from the pension plan described below. SDDPC has hired an outside consulting firm to determine if the plan is properly funded for the applicable employees. As of June 30, 1993, the outside consulting firm had completed its formal evaluation determining that the proper funded amount should be \$75,000. Per advice of legal counsel and the Board of Directors, SDDPC reserved an additional \$50,000 related to an annuity purchased on behalf of a retiree from a company that is currently in bankruptcy. Therefore, the total estimated liability is \$125,000 as of June 30, 1993. As of June 30, 1993, the balance in the money market account was \$155,000. As the new required estimate of the liability was significantly less than the funds available during fiscal year 1993, SDDPC returned \$200,000 to the City. This refund payment represented a return of budgetary savings from prior years required by the contract executed by the City and SDDPC in 1979. The balance at June 30, 1993 consists of the total estimated liability of \$125,000 plus interest earned on the money market account since its establishment during fiscal year 1991.

SDDPC has a Money Purchase Pension Plan covering substantially all employees. The plan is a defined contribution plan. Employees are eligible to participate from the date of employment. During each plan year, SDDPC contributes monthly an amount equal to 20% of the total monthly compensation for all employees. SDDPC's contributions for each employee are fully vested after four years of continuous service.

SDDPC's total payroll in fiscal year 1993 was approximately \$9,537,000. As all employees are substantially covered, SDDPC contributions were calculated using this base salary amount. SDDPC made the required 20% contribution amounting to approximately \$1,890,000 for fiscal year 1993.

- e. The Housing Authority ("Housing") provides pension benefits for all of its full-time employees through a defined contribution plan. Employees are eligible to participate on the first day of their employment. Housing contributes an amount equal to 12% of the employee's base salary semi-monthly. Housing's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Housing contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Housing's contribution requirement.

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9. PENSION PLANS (CONTINUED)

Housing's total payroll in fiscal year 1993 was approximately \$7,729,000. Housing made the required 12% contribution, amounting to approximately \$927,000 for fiscal year 1993.

- f. Southeast Economic Development Corporation ("SEDC") has a Simplified Employee Pension Plan covering all full-time, permanent employees. The plan is a defined contribution plan. Employees are eligible to participate on the first day of the month following 90 days after their date of employment. During each plan year, SEDC contributes monthly an amount equal to 12% of the employee's base salary. Such contributions are fully vested.

SEDC's total payroll in fiscal year 1993 was approximately \$668,000. SEDC contributions were calculated using the base salary amount of approximately \$605,000. SEDC made the required 12% contribution, amounting to approximately \$73,000 for fiscal year 1993.

- g. Mid-City Development Corporation, Inc. ("MCDC") is currently awaiting approval of their pension plan. Acceptance is expected and a liability of \$2,000 has been accrued at June 30, 1993.

10. POST RETIREMENT HEALTH INSURANCE

In addition to providing pension benefits, the City of San Diego Municipal Code provides certain healthcare insurance benefits for retired general and safety members of CERS who retired on or after October 6, 1980. At June 30, 1993, approximately 2,589 retirees were eligible and received benefits. Currently, expenses for postemployment healthcare benefits are recognized as they are paid. For the fiscal year ended June 30, 1993, expenditures of approximately \$3,525,997 were recognized for such healthcare benefits.

Substantially all of the City's general and safety members of CERS may become eligible for those benefits if they reach normal retirement age and meet service requirements as defined while working for the City.

11. INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual fund interfund working capital advances balances at June 30, 1993 are as follows (in thousands):

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 21,869	\$ 0

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11. INTERFUND RECEIVABLE AND PAYABLE BALANCES (CONTINUED)

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Special Revenue Funds:		
City of San Diego Oversight Unit:		
Acquisition, Improvement and Operation	\$ 107	\$ 490
Environmental Growth Fund- One-Third Requirement	526	0
San Diego Jack Murphy Stadium Operations	6	0
Special Gas Tax Street Improvement	307	0
Transient Occupancy Tax	256	0
Grants	79	0
Other Special Revenue	8	0
Centre City Development Corporation	0	275
Mid-City Development Corporation	0	59
San Diego Convention Center Corporation	0	256
San Ysidro Revitalization Project	0	21
Southeast Economic Development Corporation	<u>0</u>	<u>148</u>
Total Special Revenue Funds	<u>1,289</u>	<u>1,249</u>
Debt Service Funds:		
City of San Diego Oversight Unit:		
Other General Obligation Bonds	<u>0</u>	<u>7</u>
Capital Projects Funds:		
Redevelopment Agency	<u>482</u>	<u>58</u>
Enterprise Funds:		
City of San Diego Oversight Unit:		
Airports	158	0
Building Inspection	35	0
Golf Course	100	0
Sewerage Utility	6,578	0
Waste Disposal	2,709	0
Water Utility	<u>9,257</u>	<u>0</u>
Total Enterprise Funds	<u>18,837</u>	<u>0</u>

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11. INTERFUND RECEIVABLE AND PAYABLE BALANCES (CONTINUED)

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Internal Service Funds:		
City of San Diego Oversight Unit:		
Central Garage and Machine Shop	\$ 22	\$ 36,173
Print Shop Revolving	32	0
Self Insurance	190	1,200
Stores Revolving	5	3,282
Miscellaneous Internal Service	<u>16</u>	<u>0</u>
Total Internal Service Funds	<u>265</u>	<u>40,655</u>
Trust and Agency Funds:		
City of San Diego Oversight Unit:		
Other Miscellaneous Agency	<u>7</u>	<u>780</u>
Total	<u>\$ 42,749</u>	<u>\$ 42,749</u>

Individual fund interfund receivable and payable balances at June 30, 1993 are as follows (in thousands):

<u>Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 35,534	\$ 0
Special Revenue Funds:		
City of San Diego Oversight Unit:		
Transient Occupancy Tax	0	472
Other Special Revenue	0	34
San Diego Convention Center Corporation	<u>472</u>	<u>0</u>
Total Special Revenue Funds	<u>472</u>	<u>506</u>
Enterprise Funds:		
City of San Diego Oversight Unit:		
Sewerage Utility	0	1,500
Water Utility	<u>1,500</u>	<u>0</u>
Total Enterprise Funds	<u>1,500</u>	<u>1,500</u>
Trust and Agency Funds:		
City of San Diego Oversight Unit:		
Other Miscellaneous Agency	<u>0</u>	<u>35,500</u>
Total	<u>\$ 37,506</u>	<u>\$ 37,506</u>

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12. ENTERPRISE FUNDS SEGMENT INFORMATION

The City maintains Enterprise Funds which provide airport, sewer, water and other services. Segment information for the year ended June 30, 1993 is as follows (in thousands):

	<u>Airports</u>	<u>Building Inspection</u>	<u>City Store</u>	<u>Golf Course</u>	<u>Sewerage Utility</u>	<u>Subtotal</u>
Operating Revenues	\$1,971	\$13,137	\$ 400	\$4,418	\$145,755	\$165,681
Operating Expenses before Depreciation and Amortization	2,287	12,730	439	3,392	83,626	102,474
Depreciation and Amortization	184	33	0	95	8,692	9,004
Operating Income (Loss)	(500)	374	(39)	931	53,437	54,203
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	(500)	(500)
Transfers In from Governmental Funds	0	0	40	0	0	40
Nonoperating Revenue	532	295	5	316	21,772	22,920
Nonoperating Expense	(23)	(194)	0	(20)	(4,586)	(4,823)
Net Income (Loss)	9	475	6	1,227	70,123	71,840
Grant Revenues (Expenses)	400	0	0	19	(88)	331
Capital Contributions	303	0	40	49	50,508	50,900
Net Fixed Asset Additions (Deletions)	1	(218)	0	460	142,860	143,103
Net Working Capital	2,434	5,236	150	4,720	207,031	219,571
Total Assets	8,281	8,746	167	10,446	1,084,069	1,111,709
Total Equity	7,868	5,002	150	9,608	1,002,388	1,025,016
Long-Term Liabilities:						
Bonds Payable	0	0	0	0	10,387	10,387
Other	0	0	0	0	100	100

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12. ENTERPRISE FUNDS SEGMENT INFORMATION (CONTINUED)

	<u>Subtotal</u> <u>(Previous Page)</u>	<u>Waste</u> <u>Disposal</u>	<u>Water</u> <u>Utility</u>	<u>San Diego Data</u> <u>Processing</u> <u>Corporation</u>	<u>Grand</u> <u>Total</u>
Operating Revenues	\$ 165,681	\$ 38,384	\$ 119,319	\$ 28,914	\$ 352,298
Operating Expenses before Depreciation and Amortization	102,474	29,317	112,025	22,474	266,290
Depreciation and Amortization	9,004	84	7,732	5,681	22,501
Operating Income (Loss)	54,203	8,983	(438)	759	63,507
Operating Transfers In	0	0	500	0	500
Operating Transfers Out	(500)	0	0	0	(500)
Transfers In from Governmental Funds	40	0	0	0	40
Nonoperating Revenue	22,920	2,464	9,583	163	35,130
Nonoperating Expense	(4,823)	(1)	(813)	(633)	(6,270)
Net Income (Loss)	71,840	11,446	8,832	289	92,407
Grant Revenues (Expenses)	331	243	810	0	1,384
Capital Contributions	50,900	0	40,570	0	91,470
Net Fixed Asset Additions (Deletions)	143,103	6,384	40,605	(1,174)	188,918
Net Working Capital	219,571	26,972	183,972	2,531	433,046
Total Assets	1,111,709	54,413	680,239	23,922	1,870,283
Total Equity	1,025,016	48,969	645,842	11,378	1,731,205
Long-Term Liabilities:					
Bonds Payable	10,387	0	0	0	10,387
Other	100	0	0	7,371	7,471

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13. CONTRIBUTED CAPITAL

During the year ended June 30, 1993, contributed capital increased (decreased) by the following amounts (in thousands):

Enterprise Funds:

<u>Source</u>	<u>Airports</u>	<u>Building Inspection</u>	<u>City Store</u>	<u>Golf Course</u>	<u>Sewerage Utility</u>	<u>Waste Disposal</u>	<u>Water Utility</u>
Capacity charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,920	\$ 0	\$ 8,307
Developer - capital improvements	0	0	0	21	19,405	0	27,583
Federal grant - capital improvements	303	0	0	0	18,645	0	3,133
Federal grant - capital reimbursement	(123)	0	0	0	0	0	0
Government - general fixed assets	0	0	0	28	0	0	0
Government - capital infusion	0	0	40	0	0	0	0
Government - capital reimbursement	0	0	(10)	(500)	0	0	0
Meters and services	0	0	0	0	1,538	0	472
State grant - capital improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,995)</u>	<u>0</u>	<u>1,075</u>
Total additions (deletions)	180	0	30	(451)	46,513	0	40,570
Contributed capital, July 1, 1992	<u>6,205</u>	<u>125</u>	<u>100</u>	<u>7,201</u>	<u>506,168</u>	<u>276</u>	<u>375,076</u>
Contributed capital, June 30, 1993	<u>\$6,385</u>	<u>\$ 125</u>	<u>\$ 130</u>	<u>\$6,750</u>	<u>\$552,681</u>	<u>\$ 276</u>	<u>\$415,646</u>

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13. CONTRIBUTED CAPITAL (CONTINUED)

Internal Service Fund:

	Central Garage and <u>Machine Shop</u>
Contributed capital, July 1, 1992	\$ 226
Contributed capital, June 30, 1993	<u>\$ 226</u>

14. NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During the year, the Golf Course Enterprise Fund increased contributed capital by \$28,000 to account for fixed asset transfers.

15. FUND DEFICIT

The Internal Service Funds have a net fund deficit of approximately \$4,224,000 at June 30, 1993. This balance includes a fund equity deficit in the Self Insurance Fund of approximately \$21,968,000 which represents unfunded estimated claims and claim settlements. It is anticipated that individual claim settlements will be funded through user charges subsequent to the filing of a claim and prior to its settlement.

The Special Revenue funds have a net fund equity of approximately \$127,639,000 at June 30, 1993. This balance includes a fund equity deficit in the SEDC fund of approximately \$4,000 which represents unreimbursed funds from the City. It is anticipated that SEDC will be reimbursed by the City in fiscal year 1994.

16. COMMITMENTS

The City is currently obligated to transfer up to two-thirds of the annual franchise tax receipts in the Environmental Growth Fund (a Special Revenue Fund) to the San Diego Open Space Park Facilities District #1 (the "District") Fund (a Debt Service Fund) for the payment of debt service on the District's outstanding general obligation bonds. Such required debt service on the District's outstanding bond obligations of \$66,885,000 at June 30, 1993 is approximately \$6,712,000 for each of the subsequent five years ending June 30, 1998.

The City currently has guaranteed the payment of a revolving line of credit in the maximum amount of \$7,500,000 on behalf of various individuals through Wells Fargo Bank regarding the CDBG Housing Loan Leveraging Program.

The City (Sewer Utility Fund) has stipulated to upgrading its sewer treatment facilities in settlement of a portion of a suit filed by the United States and the State of California against the City. The costs could range from chemical treatment of sewage to construction of new treatment facilities which could be in excess of \$2 billion borne by utility users fees.

17. CONTINGENCIES

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would not have a material effect on the City's financial position.

The City is self-insured for workers' compensation, long-term disability and employee group health coverages. These are accounted for in the Internal Service Funds. At June 30, 1993, the City has recorded approximately \$27,530,000 for claims and potential claims related to such coverages. Each participating fund contributes an amount equal to an actuarially determined rate times the gross salaries of the fund. These payments are treated as operating expenditures in the contributing funds and operating revenues in the receiving funds.

The City maintains an excess liability insurance policy whereby the City pays the first \$3,000,000 per occurrence. Amounts in excess of \$3,000,000 up to \$22,000,000 per occurrence are covered by insurance. Any amounts over \$22,000,000 per occurrence would be paid by the City. At June 30, 1993, the City has recorded approximately \$21,500,000 for the City's exposure in such claims in the General Long-Term Debt Account Group and approximately \$1,004,000 in the Enterprise Funds. These amounts represent the City's determination of the probable ultimate cost of the claims. The City has set up a reserve for liability claims of approximately \$2,754,000 in the Internal Service Funds to indicate funds set aside to pay for claims in excess of the annual appropriations in the General Fund. Property insurance is maintained on selected capital assets based upon various factors including management's assessment of the risks of loss.

17. CONTINGENCIES (CONTINUED)

In September 1989, legislation was adopted (Assembly Bill No. 2080) which requires the Redevelopment Agency of the City of San Diego to fund Low and Moderate Housing Activity equivalent to at least 20% of tax increment revenue received after fiscal year 1985. In October 1990, the Agency adopted a nine-year plan to fully fund the retroactive 20% requirement (Resolution No.'s 1911, 1912, and 1913). At June 30, 1993, the 20% requirement deficit remaining to be funded in future years is approximately \$3,834,000.

18. THIRD PARTY DEBT

The City has authorized the issuance of certain bonds, in its name, to provide tax exempt status because it perceives a substantial public benefit will be achieved through the use of the proceeds. The following describes the various types of such third party debt:

Mortgage and Revenue Bonds

Single Family Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons of low or moderate income who are unable to qualify for conventional mortgages at market rates. Multi-Family Housing Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the City to be partially occupied by persons of low or moderate income.

Industrial Development Revenue Bonds

Industrial Development Revenue Bonds have been issued to provide financial assistance for the acquisition, construction, and installation of facilities for industrial, commercial or business purposes to mutually benefit the citizens of the City of San Diego.

1911 Act Special Assessment Bonds

1911 Act Special Assessment Bonds have been issued to provide funds for the construction or acquisition of public improvements, and/or the acquisition of property for public purposes, for the benefit of particular property holders within the City. Each bond is secured by a lien on a specific piece of property.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

18. THIRD PARTY DEBT (CONTINUED)

As of June 30, 1993, the status of all third party bonds issued is as follows (in thousands):

	<u>Issued</u>	<u>Outstanding</u>
Mortgage Revenue	\$ 599,075	\$ 417,887
Industrial Development		
Revenue	590,700	587,150
1911 Act Special Assessment	<u>434</u>	<u>434</u>
Totals	<u>\$1,190,209</u>	<u>\$1,005,471</u>

These bonds do not constitute an indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans, certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. In the opinion of the City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit for the taxing authority of the City, the state or any political subdivision thereof is obligated to the payment of principal or interest on the bonds. In essence the City is acting as an agent for the property owners/bondholders in collecting and forwarding the funds. Accordingly, no liability has been recorded in the City's General Long-Term Debt Account Group.

19. OPERATING AGREEMENTS

City of San Diego and San Diego Data Processing Corporation

In September 1979, SDDPC entered into an operating agreement with the City. Under the terms of the agreement, as amended, SDDPC has agreed to provide data processing and services needed to support the operational and planning requirements of the City. The rates charged for the various services are subject to adjustment each fiscal year. Included in data processing services and equipment sales revenue for the year ended June 30, 1993 is approximately \$13,315,000 for revenue earned from the City under this agreement.

During fiscal year 1988, the operating agreement was amended to have SDDPC provide and operate telecommunications services to the City. The rates charged for the various services are subject to adjustment each fiscal year.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

19. OPERATING AGREEMENTS (CONTINUED)

The operating agreement requires SDDPC to purchase computer equipment, computer maintenance, various contractual services and other reimbursed expenses as a part of the service it provides to the City. The City then reimburses SDDPC the costs associated with these expenses. Such transactions are not considered to be revenues and expenses of SDDPC and are excluded from its statements of revenues, expenses and members' equity. The amount of these expenditures for the year ended June 30, 1993 was approximately \$9,729,000. During fiscal year 1993, the operating agreement was amended to include a 6.5% general and administrative fee for such transactions. However, some of the purchases which were in conjunction with projects commencing prior to fiscal year 1993 were not subject to the 6.5% fee. SDDPC earned \$501,000 from such fee for the year ended June 30, 1993.

In addition, the City has undertaken certain expenses in connection with the organization, staffing and commencement of operations of SDDPC and providing SDDPC with certain facilities, equipment and custodial and maintenance services. Pursuant to the operating agreement with the City, SDDPC has agreed to pay "facilities rental" annually out of budgetary savings.

SDDPC is required to return annually any remaining "budgetary savings", as defined, pro-rata to each entity with which it has contracted in proportion to their respective billings. In fiscal year 1993, budgetary savings were \$0.

Library System

During fiscal year 1984, SDDPC entered into an agreement with the City of San Diego Public Library and the County of San Diego Public Library (the "Libraries") for a five-year term, subject to annual appropriations, to purchase and operate an automated library system and to provide the related data processing services to support the operational requirements of the Libraries. In fiscal year 1990, this agreement was extended an additional 5 years. The Libraries share the cost of operations based upon certain percentages of direct costs plus shared costs. The rates charged for the various services are subject to adjustment each fiscal year.

Included in data processing services and equipment sales revenue are the following amounts for the automated library system for the year ended June 30, 1993 (in thousands):

City of San Diego Public Library	\$ 664
County of San Diego Public Library	<u>427</u>
Total	<u>\$1,091</u>

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

19. OPERATING AGREEMENTS (CONTINUED)

Regional Urban Information System

During fiscal year 1984, SDDPC entered into an agreement with the City and the County of San Diego (the "County") for a ten-year term, subject to annual appropriations, to provide data processing services to implement and operate a data base system known as the Regional Urban Information System ("RUIS"). The long-range goal of RUIS is to provide the City and County with an information system that monitors, where feasible, all operations (current and future) that affect their jurisdictions.

The City and County share the costs of RUIS. The rates charged for the various services are subject to adjustment each fiscal year.

Included in data processing services and equipment sales revenue are the following amounts for RUIS for the year ended June 30, 1993 (in thousands):

City	\$2,920
County	<u>1,157</u>
Total	<u>\$4,077</u>

Automated Regional Justice Information System

During fiscal year 1985, SDDPC renewed, through June 1994, its agreement with a joint powers agency known as the Automated Regional Justice Information System ("ARJIS"). ARJIS was created to assist member agencies by providing and continuing the operation, maintenance, enhancement, and implementation of those telecommunications features initiated under a State Office of Criminal Justice grant agreement and to pursue development of other computerized systems to meet law enforcement needs and requirements in the region. Under the agreement, SDDPC is to provide data processing services to ARJIS at rates which, on an annual basis, are equivalent to those charged to other governmental entity clients.

Included in data processing services and equipment sales revenue are the following amounts for ARJIS for the year ended June 30, 1993 (in thousands):

City of San Diego Police Department	\$1,492
Other law enforcement agencies	<u>1,622</u>
Total	<u>\$3,114</u>

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

20. SUBSEQUENT EVENTS

- a. On July 1, 1993, the City issued \$100,500,000 of 1993-1994 Tax Anticipation Notes, Series A, to finance seasonal short term cash flow requirements.
- b. On August 18, 1993, the City received a \$10,000,000 advance from the San Diego Association of Governments ("SANDAG") for certain construction projects. Repayment will occur between the years of 2005 and 2008.
- c. On September 1, 1993, the City of San Diego Metropolitan Transit Development Board Authority issued \$19,515,000 of Lease Revenue Bonds, Series 1993, to finance the City's portion of the acquisition, construction and equipping of an extension for the San Diego Light Rail Transit System to the Old Town District of the City.
- d. On September 30, 1993, the Public Facilities Financing Authority of the City of San Diego issued \$250,000,000 of Sewer Revenue Bonds, Series 1993, to finance the City's design, engineering, land acquisition and construction costs of certain capital improvements to the waste water system of the City.
- e. On November 1, 1993, the San Diego Facilities & Equipment Leasing Corporation issued \$27,985,000 of Certificates of Participation, Series 1993, to finance a portion of the first phase of projects under the Balboa Park and Mission Bay Park Capital Improvements Program.
- f. The Redevelopment Agency of the City of San Diego is in the process of issuing \$27,075,000 and \$27,275,000 of Tax Allocation Bonds, Series 1993A and 1993B, respectively, for the acquisition of land, construction improvements and other redevelopment activities in the Center City Redevelopment Project area of the City of San Diego.
- g. At the direction of the City Council and City Manager, the San Diego Convention Center Corporation ("SDCCC") began taking operational control of the San Diego Concourse Convention & Performing Arts Center ("the Concourse") effective August 1, 1993. SDCCC and City staff are in the process of negotiating a management agreement for the Concourse, which will be approved by the City Council.

THE CITY OF SAN DIEGO ANNUAL FINANCIAL REPORT

TRUST AND AGENCY FUNDS
PENSION TRUST FUNDS
CITY EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION - ANALYSIS OF FUNDING PROGRESS
LAST TEN FISCAL YEARS
(IN MILLIONS)

<u>Fiscal Year Ended June 30</u>	<u>Net Assets Available For Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>	<u>Benefit Obligation As a Percentage Of Covered Payroll</u>
1984	\$ 378.2	\$ 462.3	81.8%	\$ 84.1	\$ 144.7	58.1%
1985	429.7	496.5	86.6	66.8	153.7	43.5
1986	493.3	547.6	90.1	54.3	171.7	31.6
1987	590.7	616.9	95.8	26.2	195.4	13.4
1988	659.0	688.1	95.8	29.1	218.1	13.3
1989	746.0	786.5	94.8	40.5	241.4	16.8
1990	806.5	847.8	95.1	41.3	271.4	15.2
1991	896.4	947.6	94.6	51.2	303.5	16.9
1992	1,006.1	1,057.2	95.2	51.1	331.7	15.4
1993	N/A	N/A	N/A	N/A	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION - REVENUE SOURCES
LAST TEN FISCAL YEARS
(IN THOUSANDS)

<u>Fiscal Year Ended June 30</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Charges For Current Services</u>	<u>Total</u>	<u>Employer Contributions As a Percentage Of Covered Payroll</u>
1984	\$ 5,950	\$ 27,633	\$ 29,993	\$ 35	\$ 63,611	19.5%
1985	5,561	27,064	48,543	31	81,199	18.7
1986	4,917	30,051	64,922	46	99,936	19.6
1987	4,959	31,763	92,330	47	129,099	18.5
1988	5,781	31,545	65,665	43	103,034	16.1
1989	7,262	29,291	87,676	47	124,276	13.4
1990	10,760	30,230	63,652	71	104,713	12.5
1991	11,442	36,899	86,833	67	135,241	13.5
1992	13,855	29,579	107,825	76	151,335	10.9
1993	14,014	34,150	102,374	105	150,643	10.9

REQUIRED SUPPLEMENTARY INFORMATION - EXPENSES BY TYPE
LAST TEN FISCAL YEARS
(IN THOUSANDS)

<u>Fiscal Year Ended June 30</u>	<u>Benefits</u>	<u>Administrative Expenses</u>	<u>Refunds</u>	<u>Total</u>
1984	\$ 22,687	\$ 736	\$ 1,631	\$ 25,054
1985	24,815	1,071	1,138	27,024
1986 *	36,365	1,113	1,186	38,957
1987	29,370	1,297	997	31,664
1988	31,323	1,443	979	33,745
1989	34,093	1,951	943	36,987
1990	38,025	3,116	1,097	42,238
1991	41,685	3,789	1,094	46,568
1992	42,315	4,931	1,021	48,267
1993	48,873	5,439	1,193	55,505

* Includes additional Supplemental Benefit from Andrews class settlement of \$9,944,524.

APPENDIX D

FORM OF FINAL OPINION OF CO-BOND COUNSEL

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APPENDIX D

Form of Final Opinion of Co-Bond Counsel

San Diego Open Space Park
Facilities District No. 1
202 C Street
San Diego, California 92101

San Diego Open Space Park Facilities District No.1
General Obligation Bonds Refunding Series 1994
(Final Opinion)

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the San Diego Open Space Park Facilities District No. 1 (the "District") of \$64,260,000 aggregate principal amount of bonds designated "San Diego Open Space Park Facilities District No. 1 General Obligation Bonds Refunding Series 1994" (the "Bonds"), pursuant to Resolution Number R-283434 of the governing body of the District adopted on February 22, 1994 (the "Resolution"). The Bonds are being issued to refund a portion of the District's currently outstanding Open Space Park Bonds to wit: (i) the Open Space Park Bonds of 1978, Series 79A (the "1979 Bonds"), (ii) the Open Space Park Bonds of 1978, Series 86A (the "1986A Bonds") and (iii) the Open Space Park Refunding Bonds of 1986 (the "1986 Refunding Bonds") (the 1979 Bonds, the 1986A Bonds and the 1986 Refunding Bonds are herein collectively called the "Prior Bonds").

In such connection, we have reviewed the Resolution, Ordinance No. 0-18043 of the City of San Diego (the "City") adopted by the City on March 7, 1994 (the "Ordinance"), the tax certificate and agreement of the District and the City, dated the date hereof (the "Tax Certificate"), certificates of the City, Bank of America National Trust and Savings Association, as paying agent (the "Paying Agent") and others, opinions of counsel to the District, the City, the Paying Agent and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Resolution, the Ordinance, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of applicable laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such

events do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District and the City. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants contained in the Resolution, the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution, the Ordinance and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities and park facilities districts in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the District.
2. The Resolution has been duly and legally adopted by the Council of the City, as the governing body of the District, and constitutes a valid and binding obligation of the District.
3. The governing body of the District has the power and is obligated to levy ad valorem taxes for the payment of the Bonds and the interest thereon upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates), without limitation of rate or amount.
4. In the Ordinance, the City has pledged to the payment of the Bonds and interest thereupon (as well as to the payment of the principal of and interest on the Prior Bonds which will remain outstanding, and any obligations which refund any or all of the Bonds or such Prior Bonds) an amount equal to the lesser of two-thirds of the moneys paid into the Environmental Growth Fund of the City or such amount from said fund as is necessary to pay debt service on the Bonds, any outstanding remaining Prior Bonds and any obligations which refund any or all of the Bonds or such Prior Bonds, all in accordance with the City Charter.
5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 or applicable provisions of prior law and is exempt from State of California personal income taxes. In addition, the difference, if any, between the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of any maturity of the Bonds is sold and the principal amount payable at the maturity thereof constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. Original issue discount is treated as interest excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes to the extent properly allocable to

each owner thereof. The interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding the other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE

Very truly yours,

WILLIAMS & GILMORE

per

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